NEW VULNERABILITY ENTERS MARKET ★

The MAGAZINE of WALL STREET and BUSINESS ANALYST

PRIL 11, 1959 85 CENTS

ommon Sense
Solutions For THAT
MPLOYMENT HEADACHE
BY JAMES J. BUTLER

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NAME OF COMMON STOCKS	Shares We Sold	Buyers	States Where Sold
ACF-Wrigley Stores, Inc.	10,000	65	15
Air Reduction Co., Inc.	7,000	179	19
Aluminium Limited	60,398	476	30
Aluminium Limited	20,360	167	20
*Amerada Petroleum Corporation	12,378	189	14
*Amerada Petroleum Corporation	10,200	142	26
American Can Company	33,000	793	32
*American Electronics, Inc.	60,205	384	27
American & Foreign Power Co., Inc.	25,000	94	12
American Heritage Life Insurance Co.	170,999	1,141	32
American National Insurance Co. (Galveston)	71,294	613	35
*Archer-Daniels-Midland Co.	30,700	319	29
Atchison, Topeka & Santa Fe Ry. Company	50,357	434	31
Bendix Aviation Corporation	9,910	127	25
Borg-Warner Corporation	5,790	44	20
*Burroughs Corporation	25,548	281	29
Central Soya Company, Inc.	9,591	112	16
Champion Spark Plug Company	45,500	993	35
Columbia Gas System, Inc.	206,357	2,222	35
Continental Insurance Company	10,407	159	22
*Continental Oil Company	10,000	96	11
Douglas Aircraft Co., Inc.	8,001	97	19
Federated Department Stores, Inc.	4,000	48	17
*Florida Power Corporation (Old)	15,000	246	18
Florida Power & Light Company	59,907	791	19
Food Fair Stores, Inc.	15,000	229	23
General Motors Corporation	50,000	577	33
General Public Utilities Corporation	10,000	103	24
General Telephone Corporation	17,688	690	33
*Goodrich (B.F.) Co.	10,000	122	15
Gulf Oil Corporation	10,131	185	25
Gulf States Utilities Co.	88,254	1,079	37
Idaho Power Company	43,125	463	20
Illinois Central R.R. Co.	12,022	116	28
Ingersoll-Rand Company	21,546	286	26
*International Business Machines	5,000	459	32
Johns-Manville Corporation	10,100	101	30
Lykes Bros. Steamship Co.	25,020	296	26
Melville Shoe Corporation	54,906	472	31
Merck & Co., Inc.	13,734	190	24

NAME OF COMMON STOCKS	Shares We Sold	Buyers	States Where Sold
Monsanto Chemical Company	15,000	196	24
Northern Indiana Public Service Co.	22,246	341	27
*Oklahoma Natural Gas Co.	25,286	277	25
Olin Mathieson Chemical Corp.	40,167	479	34
Pacific Lighting Corporation	82,200	1,111	24
Pepsi-Cola General Bottlers, Inc.	45,000	243	27
Pfizer (Chas.) & Co., Inc.	12,659	123	23
Phillips Petroleum Company	40,000	482	34
Pillsbury Mills, Inc.	7,505	100	20
Portland General Electric Co.	15,000	125	19
*Procter & Gamble Company	10,428	74	23
Public Service Electric & Gas Company	180,951	2,253	33
Searle (G.D.) & Co.	15,599	317	29
*Shell Oil Company	7,100	36	15
*Shell Oil Company	7,700	22	7
Socony Mobil Oil Co., Inc.	32,608	340	27
Standard Oil Co. of California	13,800	177	28
Standard Oil Co. of New Jersey	10,000	109	30
Standard Oil Co. of New Jersey	78,000	1,104	35
*Standard Oil Co. of New Jersey	35,285	618	26
Standard Oil Co. of New Jersey	25,000	376	32
Tennessee Gas Transmission Co.	65,231	792	28
Texas Company	13,000	185	28
*Texas Company	11,800	100	13
Texas Eastern Transmission Corp.	30,051	282	29
Texas Eastern Transmission Corp.	12,001	130	21
Texas Gas Transmission Corp.	14,606	142	25
Texas Gas Transmission Corp.	8,679	101	20
Texas Utilities Company	7,870	150	17
Transamerica Corporation	8,500	84	26
Transcontinental Gas Pipe Line Corp.	17,003	198	30
Union Pacific Railroad Company	77,448	759	35
United Gas Corporation	50,000	571	34
U. S. Gypsum Company	5,505	58	22
United States Pipe & Foundry Co.	12,080	81	9
Upjohn Company	100,095	2,376	34
Vanadium Corporation of America	10,000	85	12
Washington Water Power Co.	16,000	213	3
*Westinghouse Electric Corporation	45,056	524	33
*West Virginia Pulp & Paper Co.	6,000	54	16

* Exchange distributions handled wholly within our own organization at spreads you might think were surprisingly low.

If you have a block of securities that you would like to sell, may we invite your inquiry? For a confidential discussion of the problem, just phone or write William H. Culbertson, Vice President in charge of the Sales Division.

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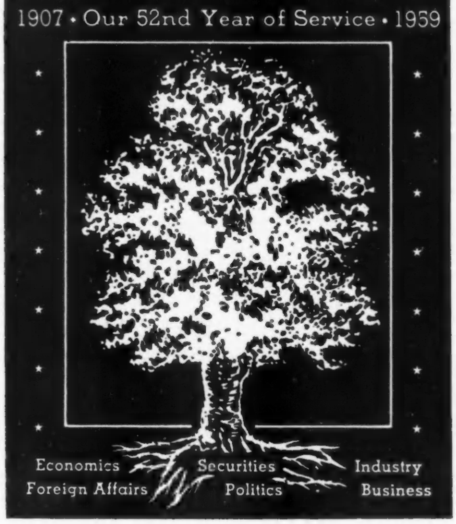
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

IMMEDIATE RESPONSE . . . Recognition of the great dangers inherent in the Supreme Court decision upholding the right of the States to tax business in interstate commerce, came almost immediately following our feature, "Will Supreme Court Decision End Free Trade Between the States?", that appeared in the March 28, 1959 issue of The Magazine of Wall Street.

The Senate Small Business Committee, of which Senator John Sparkman (D. Ala.) is Chairman, has initiated a thorough study of the impact of this revolutionary decision—and we hope that the matter will be seriously considered not only from the stand-point of the confusion, disorganization and subsequent loss that must result for all types of business—but that special attention will be paid to the harm it can wreak on our form of government—since this decision can destroy the principle of unity between the States, which has been responsible for the enormous economic growth that has made the United States a world power in a comparatively few decades.

There is no validity to the argument that the revenue needs of the States makes this new taxation logical. This is pure unadulterated baloney, no matter how you slice it, for the various States are inter-dependent one upon the other. They all share Federal disbursements of tax income, and the *money is paid out in accordance with the needs of each State, and not in proportion to their tax contribution.* And it is a matter of record that a number of States are benefiting greatly at the expense of others. Under these circumstances, the new tax advantage sought by the States is likely to bring retaliatory demands for a complete revamping of Federal disbursements to States and produce dangerous disunity.

So shallow is the thinking in this matter that the proponents have entirely neglected what these new laws can mean in loss of tax revenue to the United States Government, for, it must be clear that a considerable loss in corporate taxes would result, since both business large and small would feel the pinch keenly. It would not only further unbalance the budget, but would produce chaotic political and economic conditions in this country at a time when we must all work together — cities, states and every citizen as well — to carry our country through to safety in one of the most difficult periods in our entire history.

I look upon this Supreme Court decision that permits

We call the attention of the reader to our Trend Forecaster, which appears as a regular feature of the Business Analyst. This department presents a valuable market analysis of importance to investors and business men. To keep abreast of the forces that may shape tomorrow's markets, don't miss this regular feature.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: 1907—*"Our 52nd Year of Service"*—1959

this widely increased taxing power to the States, with a jaundiced eye. For me, it casts doubts on the judicious quality of the thinking that would consider such a law as being good for the country, and I would fear for the future if this were true.

The dissenting opinion by Justice Felix Frankfurter, contained in our story, is well worth repeating. He says:

"As one follows the tortuous and anguished endeavors to establish a free trade area within Western Europe, unhampered by interior barriers, against the opposition of inert and narrow conceptions of self-interest by the component nations, admiration for the farsighted statecraft of the Framers of the Constitution is intensified. Guided by the experience of the evils generated by the parochialism of the new States, the wise men at the Philadelphia Convention took measures to make of the expansive United States a free trade area and to withdraw from the states the selfish exercise of power over foreign trade, both import and export. They accomplished this by two provisions in the Constitution: the Commerce Clause and the Import-Export Clause."

What Justice Frankfurter had to say underscores the reactionary character of the decision. It is positively dangerous to our well-being. Certainly the Soviet Union must be laughing up its sleeves at the divisive steps we are taking — steps that would promote our self-destruction — and without any help from them.

It is clear the situation calls for immediate legislation — for a law that will set this decision aside.

ENGLAND'S "PRIVATE CITIZEN" GOES TO MOSCOW . . . It must be clear that in permitting Field Marshal Viscount Montgomery to go to Russia at this time "on his own", the British Government is side-stepping its responsibility to the U. S. in this crisis.

It has ever been thus in our dealings with Britain, who, after World War I, when we asked for payment of post-war loans (at a discount), called us "Shylock", and even presented our position in such a way as to create the assumption that they were "the" war loans which we had already forgiven.

And now the jealousies that were engendered during World War II as a result of placing the supreme command under General Eisenhower, are showing their ugly head at a time when there should be the greatest solidarity between us.

One can only conclude that the government now wants to side-track the President because he is firmly against appeasement of the U.S.S.R., making it most likely that the trade agreements which were forwarded by Prime Minister Macmillan's visit, must have included compromises on Berlin and Central Europe — and that there is a determination to see it through, at any cost.

Referring to President Eisenhower as a "poor, meandering old President—with benign and platitudinous immobilism" — and the expressed doubt by Mr. Muggeridge "whether Eisenhower had more than the haziest notion of what Prime Minister Harold Macmillan was talking about during the meetings of the two heads of government in the United States last month" — the "New Statesman", a left-wing weekly, did a great disservice to the cause of a united front.

The cheek of the British is only surpassed by their lack of judgment in filling their press with unrepeatable twaddle about the United States, topping it with the sneaky tactics that sends Field Marshal Viscount Montgomery to Russia as a "private" citizen at this crucial time. We cannot imagine their doing this, except to let him later take the onus for a double-cross.

He was the perfect and most logical choice for this mission to Moscow, for which his article in the London Times, in which he supported recognition of the Communist regime in East Germany, as well as the status quo in Central Europe, a position which Russia has been fighting tooth and nail to attain — had fully prepared him.

We can be sure that Premier Khrushchev is as well aware as we are that Field Marshall Montgomery is a mean and jealous individual who has never gotten over his resentment that General Eisenhower was given top command.

It is most likely that he played an important part in demanding that Mr. Macmillan take over the leadership of the West, in revenge for being sidetracked by the United States (according to him). He is a bitter man, as unpopular in his own country as he is over here, and he wanted to attract attention. A man like Khrushchev would use him but would never have faith in him.

It will be interesting to watch the situation as it unfolds for at the moment it appears that the British government, despite its bitter experiences and severe losses, and who are in a large measure considerably responsible for the extreme nationalist rebellions upsetting the world, is still carrying on "under the sign of the umbrella", and is ready to "kick us in the face"—to quote an expression used by an ancient doddering British professor in reprimanding an Egyptian prince during a class room episode.

THESE ARE WILD AND WOOLLY DAYS . . . The gangsters have come to Wall Street — but have found the casehardened financial community pretty tough to intimidate. The "big, bad wolves" — in authentic gangland manner, — warned a specialist in a certain stock on the American Stock Exchange, "unless you move the stock to 80 by the end of the week, your life won't be worth a quarter." This was followed by threatening telephone calls to a financial writer for a New York newspaper that "if he didn't get bullish" on this same stock he might not get to work next day.

The effort to manipulate stock through fear of violence was a dismal failure. The aforementioned did not end the week at 80. Instead, the stock declined in no uncertain terms.

Lawlessness has reached a very high pitch when it comes down below Fulton Street, which is off limits for *known* criminals. But in these days of general delinquency we just read that crime was up 9.1% in New York last year.

Manipulators of junky stocks have been moving freely, sniffing the "long green" with which the public is gambling in get-rich-quick issues.

But where are the police? "Help—Police Commissioner Kennedy — Help!" We'd like to take a swing at the "sharp" boys.

As I See It!

by Charles Benedict

RED CHINA SHOWS ITS TRUE FACE — IN A FATAL BLOW TO PEACEFUL COEXISTENCE

THERE is something about human nature that causes even a little bit of power to distort men's thinking, and a large dose so warps the judgment of those drunk with power, that they lose sight of their objectives and eventually destroy themselves — for it is their will that governs their actions, not their reasoning.

This is particularly true of Red China's attack on Tibet — for they had nothing to gain and everything to lose by destruction of the religious and cultural life of the Tibetans. Only lust for power, and certainly not good judgment, could have caused Mao Tse-tung to do anything so foolish. For, with the whole world looking on, Peiping violated all its vows of peaceful intentions and assurances of political autonomy and religious freedom for Tibet, slaughtering thousands of innocent peop'e, desecrating their holy shrines and ruthlessly uprooting their priesthood.

These depredations may have a profound and lasting effect on the outraged people of India and Asia. The illusions regarding the beneficence of Mao Tse-tung and Red China have been utterly destroyed, and are certain to set in motion a chain reaction that will strike a fatal blow to the Communist theory of peaceful coexistence.

What Russia began in Poland, Red China finished in Tibet — for there is no doubt now that Communism is a conspiracy for world conquest.

This !atest outrage will have deep meaning for the Chinese people, who are now enslaved in Communes, their liberties destroyed and bereft of their home life. They will be learning before they have been beaten into helpless subservience, that they have nothing to lose by revolting against their masters.

And the great masses in the subcontinent of India are going to know the truth—and Pandit Nehru, who has been fence-sitting with the world in flames, will now be faced with the di!emma of taking sides, and obliged to revise his thinking regarding the great benefits the Communists are going to bring to the human race.

The Dalai Lama of Tibet and his former mountain retreat

—UPI

In fact, so wide spread are the ramifications that Russia too will be greatly affected by the Chinese Red's betrayal of Tibet. Coming at a time when there is a great restlessness among her own people, it may shatter hopes for the "better life" promised by the 7-year plan after four long decades of sacrifice. It may cause the Russian people to wonder whether the hardships they endured may not have been in vain, and that they would fare better if they took matters into their own hands.

Because of the new situation that has arisen as a result of the Tibetan outrage, Russia's subversive machinery too, in Africa and South America, may bog down, as the question of the advisability of Communism as compared to the freedom and benefits of Western Democracy begin to be considered in the light of what has taken place.

And Khrushchev may have to change his tune on the issue of Berlin in dealing with the West. So far-reaching have been the effects of recent events, that it was very interesting to note the firmness in the tone as expressed at the NATO Conference in Washington — the determined stand regarding Russian demands on Berlin — on arms limitation — and disengagement.

Altogether, this was a bad time for Khrushchev to have the Chinese Red's rip the mask off the face of Communism and expose it for what it is — the most reactionary system ever evolved by man. It represents a return to primitive tribal government, where men lived in caves and the chieftains had power of life and death over the people. It is fantastic that there should be tolerance, let alone acceptance, of these backward ideas in the modern age.

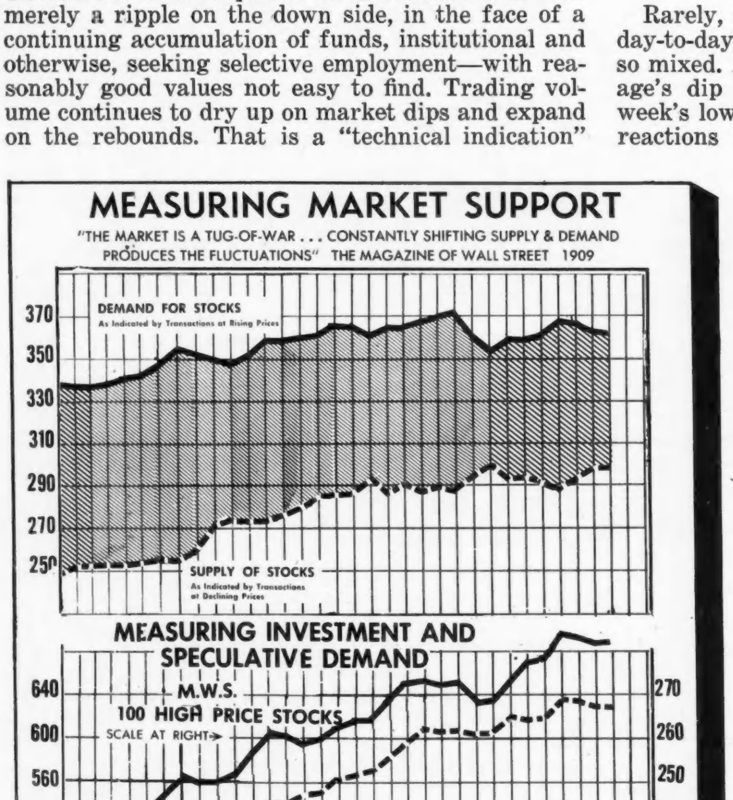
The sack of Tibet has taught us c!early that coexistence is a sham, and those who accept this theory do so at the risk of life and freedom, — for the Communists have failed to show the integrity that is required under any plan for genuine coexistence. Their goal is not only "exploitation of the proletariat" — their principal trumped-up argument against capitalism, — but the enslavement of all the peoples of the world.

New Vulnerability Enters Market

Despite generally high valuations, the unwillingness of investors to transfer stocks into cash on the one hand, and rabid speculation on the other, continue to hold over-all market corrections to small proportions. Whether a slow-down in the cats, dogs and phonies is in sight remains to be seen. A trading-range performance is currently indicated for the averages, but a further upside test may be near. Careful discrimination is needed in portfolio management, for all stocks do not offer protection against inflation.

By A. T. MILLER

Over the last fortnight as a whole, the net change in both averages, as well as in utilities, was hardly more than nominal. Most investors are still disinclined to take profits in a market that was merely a ripple on the down side, in the face of a continuing accumulation of funds, institutional and otherwise, seeking selective employment—with reasonably good values not easy to find. Trading volume continues to dry up on market dips and expand on the rebounds. That is a "technical indication" familiar in uptrend markets which can make buyers bolder.



"Market Of Stocks"

Rarely, if ever, have the week-to-week and even day-to-day changes in individual stock prices been so mixed. As noted heretofore, the industrial average's dip from the intraday March high to last week's low was only about 3%; but the comparable reactions in a number of stocks were anywhere from three to ten times that much. A few examples were U. S. Steel, Anaconda, American Stores, Carey, Champion Paper, Daystrom, Foote Mineral, Gamewell, General Motors, General Tire, Haveg, Motorola, Radio Corp. Many others could be cited.

So could a large number of recently strong stocks be cited. The point to be emphasized is that the cross-currents tend markedly to slow the uptrend in the broad average of stock prices—and that, without a dynamic rise therein, stock buyers find it easy to make mistakes in trying for short-term gains.

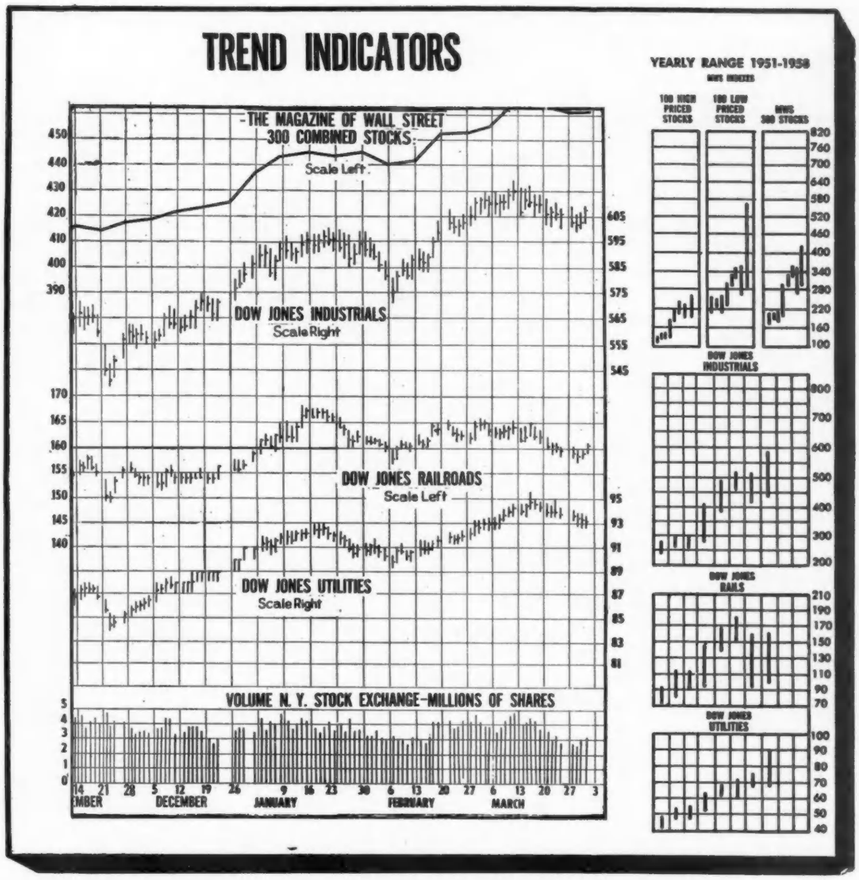
It was our belief at the start of the year that the averages could not maintain the rate of 1958 advance; and that you could expect at least a slow-down via more frequent dips and pauses, as well as increased irregularity. Nothing has occurred to challenge that view—regardless of excitement and excess in various individual stocks. In 1958 the industrial average rose almost 34% (in closing prices) from low to high; but in 14 weeks of 1959 to date the further net rise has been less than 5%, and that from the January 21 "intermediate" high less than 3% in some ten weeks, with no progress by rails.

Responsible people in the financial community are worried about trading activity and wild gyrations in various relatively obscure, speculative stocks. It has been particularly notable in some

issues on the American Stock Exchange, two of which are under SEC investigation now. Perhaps some more ought to be investigated — issues that have soared since the start of this year, and which recently took dives of 30% to 50%.

We do not recall a time when so many warnings against uninformed speculation have been sounded. From the chairman of the SEC: "Anybody who plays the market at any time without guidance and care needs his head examined."

From the president of the New York Stock Exchange: "It would be most unfortunate to have any part of our business reflect unsound or unreasoned transactions — whether it be based on tips or rumors, or concentrated in low-price issues merely because the price is low or the result of over-zealous and unplanned acceptance by customers of suggestions of other advisers." The latter amounts to a plea to brokers to put some curbs on the loose tongues of customers' men.



There have been others in advertisements of some large brokerage firms and investment advisory organizations. The warnings are belated, coming after excess in the cats and dogs had been building up for many months. Whether they will have more than transitory effect on the market gamblers—small or big—is not sure. When strongly established, the speculative fever dies hard. It generally has to be doused by an unexpectedly severe and fairly general market decline. The latter does not appear in sight, despite speculative excesses and over-valuation of many leading stocks, since the environment is one of continuing gradual expansion in business activity, a marked rebound in corporate profits and unchanged "inflation psychology."

New Market Vulnerability

Nevertheless, potential market vulnerability is now increasing, stimulated by:

— The wild gambling, which is bringing the public into the market through stock salesmen who are entering the business at an estimated rate of 3,300 a month.

— Price of securities that are discounting possible earnings growth for several or more years ahead, in the face of uncertain business outlook.

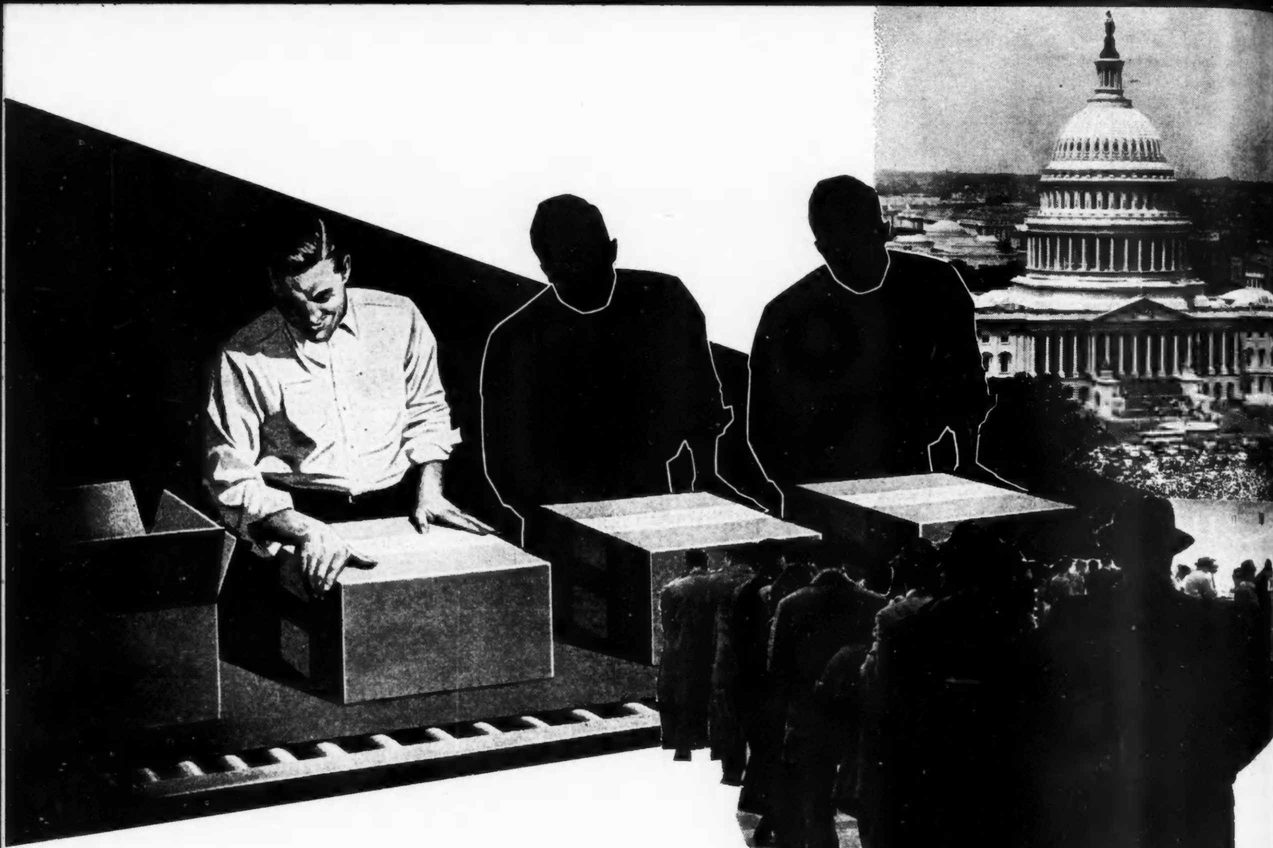
— Potential increase in "margin calls" under tightening of margin requirements — when investors switch holdings margined at less than 90%.

— Bank credit to be restricted for the purchase of stocks — a scrutiny too of all non-purpose loans on which banks have been lending up to 85%.

— Finally — the coming investigation of Mutual Funds by the SEC, foreshadowed by a study made by the Wharton School of Finance, which deals with the effects on the flow of the public money into the stock market by mutual funds, an investigation that is long overdue.

The Supply-Demand Balance

Demand for stocks still tends to exceed the supply for sale; but the margin is now rather modest. Because of advanced prices, demand is somewhat less aggressive and more selective. For the same reason, the supply of shares available to buyers has been increasing. Compared with the situation, at lower prices, in 1958, there is a greater willingness to clinch at least partial profits. For various reasons secondary stock offerings figure increasingly in the picture. *(Please turn to page 122)*



Common Sense Solutions for
That Unemployment Headache

By James J. Butler

- Defining where employment ends and unemployment begins—the jokers and loopholes
- The industrial, economic, financial and political factors to be considered
- Can we solve the problem of the distressed areas by money alone?—The critical State of Michigan—and other States brinking on insolvency
- The economic price we are paying for the dangerous abuses in welfare unemployment practices
- Roads toward a realistic solution

THE concept of a secure economy built around a core of 60 million gainfully employed persons in the United States, has been demolished by a series of experiences, roughly divided between things that didn't materialize as expected, and happenings that seem not to have been in the analyses of those who drew and enacted the Full Employment Act in times that were quite different from the present.

The goal of 60 million payrollers has been achieved and surpassed. Today the number of gainfully employed may be 63 million. Allowing for a 1 per cent annual increase in the labor force the record seems to show that the goals have been quite normally attained. But there are 4-5 million jobless in the United States. And in this year of "more than full employment", such authorities as Dr. Raymond J. Saulnier do not look for a reduction in the unemployed below 3.5 million.

What is the meaning of the contradictory data? Does it tell all or is this only a surface manifestation of problems deeply rooted in our economic system and expanding their potential for trouble? The answer may be summed in this statement: What the true employment-unemployment situation is today, when the convenience of statistics is brushed aside and the facts revealed, is lost in an area of ignorance and differences of opinion as to the meaning of the apparently simple term "unemployed."

Is It Better To Work Or Not Work? — That Is The Question

This headache arises from the government's acceptance of responsibility for insuring jobs for all, which has produced many complications. For example, is the Social Security System becoming more and more competitive with the industrial employ-

ment bureau for listings of capable personnel? There are proofs that under some circumstances it is more profitable to go without steady employment—or with none—than it is to buckle down to a job. A classic illustration of pyramiding "benefits" is that of the New York City Transit Authority employee. An IRT motorman may draw a Social Security check of $108 a month upon retirement at the age of 65. To this he adds a City pension of $145 a month, and $89 monthly from the pension fund established by IRT, when in private operation. The total of $342 a month gives him an annual pension of $4,104 a year, most of it tax-free, against a working income of $3,247. When the motorman finds he's paying $70 a month for the privilege of working, he is likely to run, not walk, to the nearest company office to file for pension.

UNEMPLOYMENT BENEFITS FUND
as of January 1, 1959

State	Taxes Collected, 1958 (Millions)	Benefits Paid, 1958 (Millions)	Total Reserves* (Millions)
ALABAMA	$13.6	$36.0	$68.5
ALASKA	4.6	7.7	4.0†
ARIZONA	8.1	9.4	58.8
ARKANSAS	7.0	12.9	39.9
CALIFORNIA	142.9	330.5	837.2
COLORADO	6.7	13.2	72.5
CONNECTICUT	24.5	94.1	185.1
DELAWARE	2.4	9.3	8.6
DIST. OF COL.	4.4	6.6	58.1
FLORIDA	17.0	28.4	85.1
GEORGIA	22.1	38.8	139.4
HAWAII	3.0	3.5	23.2
IDAHO	3.9	8.8	32.5
ILLINOIS	63.0	216.5	360.5
INDIANA	32.4	82.7	167.0
IOWA	8.8	12.9	113.1
KANSAS	10.4	17.7	81.1
KENTUCKY	22.7	46.3	100.2
LOUISIANA	17.5	28.6	146.1
MAINE	7.7	18.8	35.4
MARYLAND	18.1	59.6	76.6
MASS.	60.9	123.9	258.6
MICHIGAN	107.9	323.9	198.0†
MINNESOTA	14.7	48.0	83.1
MISSISSIPPI	10.1	14.5	31.1
MISSOURI	25.6	50.7	205.4
MONTANA	3.7	12.8	35.6
NEBRASKA	4.7	7.8	37.8
NEVADA *	4.9	8.4	16.7
NEW HAMP.	5.8	9.2	22.2
NEW JERSEY	93.7	186.4	358.5
NEW MEXICO	5.2	5.4	41.5
NEW YORK	231.1	501.0	1,121.5
NO. CAROLINA	30.3	48.6	169.0
NO. DAKOTA	2.3	3.7	9.1
OHIO	52.9	274.9	411.9
OKLAHOMA	8.5	19.4	44.5
OREGON	26.0	40.9	28.0
PENNSYLVANIA	156.6	385.1	126.2
RHODE ISLAND	17.6	24.3	25.5
SO. CAROLINA	11.0	16.3	71.8
SO. DAKOTA	1.7	1.8	14.5
TENNESSEE	24.5	47.5	73.5
TEXAS	26.3	68.9	265.4
UTAH	5.8	9.3	37.7
VERMONT	2.1	4.8	14.6
VIRGINIA	7.8	23.4	79.9
WASHINGTON	44.0	57.0	197.0
W. VIRGINIA	11.2	39.3	41.2
WISCONSIN	26.0	66.5	222.8
WYOMING	1.8	3.8	14.6
TOTALS	$1,471.0	$3,512.7	$6,952.7

*As of January 1, 1959.
†Alaska borrowed $8.2 million. Michigan borrowed $113.0 million.

Who Is "Gainfully Employed?"

Is it the man who year in and year out puts in a five-day, 40-hour week or whatever happens to be the locality or trade standard work-week, or is it the person whose name happens to be on the payroll on a reporting day, but who is not a regular employee either in tenure or with respect to hours-per-week? Then there is that third class: the employee who has attained and holds a high wage status on the basis of a normal work-week plus double time or other premium pay for overtime hours. His opposite number is the man who formerly knew premium pay, or at least straight time, but now is on a short work-week. Is he so "gainfully" employed as to be included as a full member of the work force?

Labor Department statistical methods are not helpful in arriving at answers to these questions. At best they have limited application. These are the definitions you may test against work practices known to you. The discrepancies come clear:

"Employed: Employed persons comprise those who, during the survey week, were either (a) 'at work'—those who did any work for pay or profit, or worked without pay for 15 hours or more on a family farm or business; or (b) 'with a job but not at work'—those who did not work and were not looking for work but had a job or business from which they were temporarily absent because of vacation, illness, industrial dispute, or bad weather, or because they were taking time off for other reasons."

"Unemployed: Unemployed persons include those who did not work at all during the survey week and were looking for work. Also included as unemployed are those who did not work at all during the survey week and (a) were waiting to be called back to a job from which they had been laid off; or (b) were waiting to report to a new wage or salary job scheduled to start within the next 30 days (and were not in school during the survey week); or (c) would have been looking for work except that they were temporarily ill or believed no work was available in their line of work or in the community."

Unemployment, or "idleness", takes many forms. They include normal unemployment, season unemployment, technological unemployment, and cyclical unemployment. A small amount of unemployment exists even in times of booming business: shifting from job to job, from city to city—usually running 1 to 2 percent of the total working population.

Seasonal unemployment includes agriculture, lumbering, commercial fishery and the building trades. To a lesser extent now than in the past, the automotive trades know unemployment during re-tool-

ing periods. But there are overlapping job opportunities which soften the impact of some seasonal joblessness. In an earlier day when coal was the almost exclusive heating element and natural ice was the refrigerant, the same type of labor and generally the same transport equipment could be used—each complemented the other. Similar combinations develop as necessity arises today: the farmer and his wife raise the crops, then go to the cannery or processing plant to continue the movement to market.

See how complicated it is—and all the opportunities for unemployment loopholes. In other days, before the advent of centralized government in the United States, the fate of the jobless was not as widely dramatized as it has been since Uncle Sam took over the function of guaranteeing the straight flow of paychecks.

Along Comes The New Deal

Until the New Deal came along, cities and states handled their problems locally, except for halting steps taken by the National Committee on Unemployment Relief, organized in 1931, and the Reconstruction Finance Corporation which came along to finance the Committee's aspirations and lend $300 million to the states to aid the destitute unemployed. The Federal Emergency Relief Administration spent $1 billion for direct relief in 1933, and at that point job creation and tenure became a Federal matter, to be followed some years later by the written warranty of the unemployment compensation act.

The Act of 1946

All of the experiences with attempts to cut down idleness were condensed into theories and written into the Full Employment Act of 1946. The bill defines full employment as "conditions under which there are employment opportunities, including self-employment, for all who are willing, able, and seeking to work." It commits the Federal Government to use all its resources for creating and maintaining full employment.

Passage of the Full Employment Act of 1946 was historic. *For the first time, the Federal Government was made responsible for creating and maintaining full employment across the breadth of the country. Or, alternatively, provide a substitute for payrolls.*

Old Age Insurance Act beneficiaries may continue to work while drawing Federal-State pensions, but are held below an income ceiling from the "outside" source. Hundreds of thousands of them do so today. Their number constantly grows. And many of them are listed as "gainfully employed" for purposes of determining whether we have achieved and surpassed the goal of full employment. Whether they are gainfully and productively employed in the sense discussed above raises a question.

What of the widows and other women who due to choice or economic needs return to the work force each year in increasing number? About 22 million women were classified in the "labor force" in January, representing about one-third of all workers and more than 35 percent of all women of working age. Women constituted 33 per cent of the employed but only 31 per cent of the unemployed who were available for jobs. The rise in employment of women over the January 1958-January 1959 calendar year totaled about 378,000. It was accounted for by work opportunities for office help, service trades, and retail stores.

State Unemployment Costs

No state collected enough in payroll tax in 1958 to withstand the strain of benefit payments to its unemployed. On average, the states paid out twice as much as they took in. The statistics:

Payroll tax collected: $1,471,000,000
Jobless benefits paid: $3,512,700,000
Total reserves in state funds (Jan. 1, 1959): $6,952,700,000

While 7.8 million covered Americans drew unemployment compensation, states tottered on the brink of actuarial danger, or went over the side. The Federal Government has an emergency account which may be tapped to carry states over peril points, but the original $205 million deposit has been reduced by withdrawals to $95 million.

Michigan presented its I.O.U. for $113 million in 1958. Alaska, which borrowed $2.6 million in 1957, came back for $5.6 million more. Oregon and Delaware have reached the low point which makes them eligible for loans. Pennsylvania is pondering steps essential to underpin its jobless compensation funds and its eyeing the federal account.

During 1958, the 7.8 million beneficiaries drew average payment of $30.50 weekly for 15 weeks. To make this possible, 22 states had to extend their periods of payment. Top payment ranged from $26 a week in Arkansas and South Carolina to $75 a week in Alaska.

There is popular misconception as to where this money comes from. There is tendency to confuse the collection and payment methods of sections within the Social Security Act. The fact is this: In only three states—Alaska, Alabama, and New Jersey—do employees pay *any* part of the unemployment compensation tax. Employers sustain it with an average of 1.4 per cent tax on their payrolls.

Situation In Michigan

In the case of Michigan, not only did industry pay huge sums into the unemployment insurance fund and obligate itself to repay borrowed money, but also it was called upon to advance local and state taxes to save the State from literal insolvency. Michigan, long the feeder end in the automotive industry horn of plenty! *The state suffers from no single malady but it is significant in the light of Labor's demand for domination in public affairs that here is probably the only "Labor Government" among the 50 states.* Mennen "Soapy" Williams carries the title of Governor but Walter Reuther calls the shots. The result is a prostrate financial condition in a state which is fifth in the United States in point of assessed value of taxable property, seventh in population, eighth in per capita income. *But it has been spending more money than its revenues! By Williams own calculations, the state will have a deficit of $100 million in current operations, come July 1. It is $15 million* *(Please turn to page 121)*

12 Early-Bird Companies Which Have Reported Sharp First Quarter Earnings Gains

By Robert B. Shaw

DO THE early first quarter reports of companies on a non-calendar fiscal year basis supply any clue to the earnings outlook for 1959? What individual investment opportunities do they uncover? Relatively few such reports have come out as yet and they may not be typical, but they do represent the most specific information on the current year's results available to date.

Of course, the established season for annual predictions is around the end of December, when these roll from the presses in heavy volume. To review briefly, the consensus placed the Federal Reserve Board index of industrial production for 1959 in the vicinity of 146, a sharp recovery above the 134 for 1958, although only a narrow 2% gain above its 1957 level of 143. Gross national product for 1959 was expected to approximate $470 billions, 8% above 1958 and 7% above 1957. Corporate profits represent a considerably more uncertain element, but the indications were that these would be up 15% this year, while dividends might rise by half that amount.

It is normal to hedge all such forecasts carefully against the unexpected that might occur. So far, however, no unusual developments have occurred to upset these predictions. And we have by this time at least some fragments of evidence against which the 1959 forecasts can be tested.

One source consists of general economic statistics compiled by the Department of Commerce and similar organizations. These show that the FRB index of industrial production already stands, by preliminary calculation, at 145 for February. Dividends, at an annual rate of $12.5 billion in February, were practically identical with their volume for February 1958, but they were then declining whereas they are now in a rising trend.

But more significant to stockholders than these broad statistical measures, if less objective, are the views of corporate executives expressed in the an-

nual reports now flooding the mails. These reports, to be sure, refer primarily to the year which is now past, but few presidents resist the natural impulse to describe the current year's outlook. Such statements must still be regarded primarily as predictions, and yet they do have now a solid basis of two months' or ten weeks' operating experience as a foundation. Accordingly, a quick survey of the composite corporate outlook as revealed in recently issued annual reports should be more pertinent to stockholders than the generalized statistics upon which the economists' annual forecasts were based.

A representative selection of executive officers' views on the 1959 outlook for their respective companies is given in an adjoining column. These range, as might be expected, from the non-commital to the enthusiastic. The composite tone is certainly mildly optimistic, at least. It is difficult to translate these guarded remarks into a prediction of earnings, but they do seem to support the premise of a moderate net income gain in 1959.

What Early First Quarter Reports Show

A third indication of current year earnings, much more concrete even if narrower in scope, is provided by early first quarter earnings reports. It is still much too soon, of course, to look for the first quarter interim statements for the vast majority of corporations reporting on a calendar year basis, but the results of a scattered assortment of companies with fiscal years ending on earlier dates have already been published. The more important of these are shown in the accompanying table. Although four of these companies are unlisted, all of them are of at least medium size with stock fairly widely distributed. Their reports all reveal a definite, and in some cases a sharp, increase in first quarter earnings.

This group is probably much too limited to serve as an accurate index of overall corporate profits. Nevertheless, these dozen companies do represent a wide range of industries, and their impressive first quarter results certainly strengthen the optimistic views as to the year's profits outlook. But investors cannot buy averages or groups; they must select individual stocks, and the sharp gains reported by these companies do suggest a closer examination of their individual profits opportunities. It is true that this list excludes, except for Firestone, all of the well-known blue chips, but with a relative shortage of the highest quality stocks available it may prove valuable for investors to broaden their scope and study some of the good secondary issues.

Typical Corporate Views on the 1959 outlook

(excerpts from random annual reports)

ALLIS-CHALMERS:	"cautiously optimistic about the immediate outlook..."
AMER. MACHINE & FOUNDRY:	"1959 should be a record year for AMF."
BLAW-KNOX:	"earnings may possibly show further improvement in 1959."
BORG-WARNER:	"sales and earnings in the first half of 1959 will be considerably improved..."
CATERPILLAR TRACTOR:	"The outlook for 1959 is favorable..."
CONTINENTAL CAN:	"We think the upsurge will not develop full momentum until late in 1959..."
DIEBOLD:	"the outlook appears reasonably favorable..."
GENERAL AMER. TRANSP:	"Overall, 1959 should be a good year... optimistic that a sizable increase in orders will develop."
OHIO OIL:	"earnings during 1959 are expected to show an improvement... however, the increase will probably be modest."
PHILLIPS PETROLEUM:	"If present trends continue, 1959 income should be higher than the record totals of 1957."
REXALL DRUG:	"...anticipate a further substantial increase in both sales and earnings."
TEXAS COMPANY:	"...anticipate that domestic demand will increase about 4% and foreign free world about 9%."
WESTINGHOUSE AIR BRAKE:	"Combined sales for 1959 are forecast to show only a modest increase... earnings should show somewhat greater improvement."

American-Marietta, although unlisted, is an old (founded 1913) and now a relatively large company, which has expanded rapidly in recent years both by merger and internal growth. First quarter earnings of 36¢ a share represent an encouraging increase above last year's 25¢, which were not severely depressed. A strong seasonal factor also governs Marietta's business, so that the results for each remaining quarter should be progressively more favorable. The company's traditional products have been paints and varnishes, to which acquisitions have added dyes, adhesives, bulk cement, precast concrete forms, brick and tile, and other products. The Guardite Division builds testing chambers to simulate various atmospheric conditions, which are used, among other purposes, for the testing of missile and jet aircraft components.

The existence of two classes of common stock, of which substantially all of the "B" shares are held by members of the Hermann family, a series of stock splits, and the frequent exchange of stock for other companies absorbed, all make it a little difficult to examine recent earnings progress on a comparative per share basis. But while growth in common share earnings was checked between 1956 and 1958, sales ex-

Twelve Companies Showing Impressive Gains In First Quarter Earnings

	1st Quarter Earnings 1959 [1]	1st Quarter Earnings 1958 [1]	Fiscal Year Earnings 1958	Dividend Current	Yield %	Price-Earnings Ratio *	Listed	Dividends Every Year Since	Price Range 1958-59	Recent Price
Aerojet-General	$0.40	$0.24	$1.39[4]	Nil	—	56.6	A.S.E.	—	97½-27⅝	88
American-Marietta Co.	0.36	0.25	2.02[4]	1.00	1.8%	25.8	UNL	1940	58 -28½	55
Case, (J. I.)	0.01	d1.29[2]	1.12[5]	Nil	—	9.9	NYSE	—	26⅜-14¼	24
Central Soya	1.24	0.98	5.93[6]	2.00	3.8	12.3	UNL	1942	78 -28½	76
Divco-Wayne	0.30	0.12[2]	1.73[5]	1.00	4.2	12.5	NYSE	1937	29¼- 9	24
Eagle-Picher	1.05	.50	2.08[4]	2.20	4.6	18.2	NYSE	1936	48⅜-27¾	48
Firestone Fire & Rubber	1.66	1.38[2]	6.24[5]	2.60	1.8	22.0	NYSE	1924	151 -82¾	143
Glidden Co.	0.55	0.40	2.64[6]	2.00	4.3	16.8	NYSE	1933	50¼-28	47
Kelsey-Hayes	1.14	0.27	2.47[6]	2.40	5.5	13.2	NYSE	1942	46⅜-25⅛	44
Koehring Co.	0.18	d0.04	0.64[4]	.40	2.5	18.5	UNL	1941	18¼-12¼	16
Litton Industries	0.87	0.54[2]	2.13[7]	Nil	—	35.8	NYSE	—	96⅛-36⅞	88
West Point Mfg.	0 99[3]	0.56[3]	1.08[6]	.80	4.2	12.5	UNL	1888	19⅞-11¾	19

*—Based on earnings for 12 months through the quarter recently reported.
d—Deficit.
1—Quarter ended in February except where noted.
2—Quarter ended in January.
3—Six months ending Febr. 28.
4—Year ended November 30.
5—Year ended October 31.
6—Year ended August 31.
7—Year ended July 31.

panded in the same period from $202 million to $251 million, while a broader basis of diversification was being achieved.

Marietta's relatively high current price/earnings ratio suggests that its merits have by no means been overlooked by investors, but on its record it is not over-valued. It would be normal to expect that the stock will be a candidate for listing before too long.

To continue with the other unlisted issues, **Central Soya** has shown almost uninterrupted progress in sales and earnings over a period of many years. Fiscal year 1958 sales, in fact, leaped from $196 million to $226 million, while earnings expanded 39% from $4.28 to $5.93 per share. The further gain in recent first quarter earnings to $1.24 from 98¢ a year ago suggests that this progress is continuing unabated. This company is one of the largest domestic processors of soybeans, from which it derives oil sold to other food processors and concentrate used for livestock and poultry feeds. The company also acquired last fall Glidden's former Chemurgy Division, which produces special soybean derivatives not previously sold by Central. The company's mills and elevators are located throughout the South and Middle West.

At 12.3 times earnings for the twelve months through February, the stock looks reasonable in terms of the current market. Nevertheless, the present price is well over double the top prices prevailing in 1956 and 1957, and caution in making new purchases is advised.

The **Koehring Company,** founded back in 1906, manufactures a wide range of heavy machinery, including hydraulic presses, sawmill equipment, power shovels, cranes, ditchers, cement and asphalt mixers, etc. This line of products was particularly vulnerable to last year's recession, and shipments dropped to $45 million from $56 million in 1957, while per share earnings were cut more sharply to 64¢ from $1.16.

Although 1959 first quarter earnings show an encouraging recovery to 18¢ a share from the loss of 4¢ for the year-earlier period, it must be conceded that the company's growth over a period of years has been less than average, and the profit margin has also shown a declining tendency. As a reflection of these conditions the stock is closer to the bottom than the top of its range during the past three years, and is still selling at a rather generous price/earnings ratio. Thus, the issue must be regarded as too speculative for the average investor, and purchase can be justified only on the assumption that the current recovery will carry a great deal further.

West Point Manufacturing — named for a city in Georgia, not the military post—is a medium-size, long established (1880) textile manufacturer, best known through its Wellington Sears selling division. The company's output is divided about 47% industrial fabrics, 29% clothing, and 24% household fabrics; the original line of cottons has been broadened to include synthetics.

West Point was, in the early years of this century, an exceptionally profitable company, but in the postwar era has been unable to resist the general textile depression. Thus, sales have advanced only narrowly in the past ten years, while earnings have declined steadily, reaching a long-time bottom last year. Correspondingly, the stock has shown an irregular downward trend for many years. Thus, despite its modest price/earnings ratio, and the first half sharp recovery in earnings to 99¢ from 56¢ a share, the stock can be considered attractive only if this indicates a reversal of the basic trend. Most investors should avoid this issue, pending more conclusive evidence of a sustained comeback in the cotton textile industry.

Aerojet-General, an 87% controlled subsidiary of General Tire & Rubber, is one of today's glamour stocks, engaged as it is in the development both of rocket fuels and electronic components. Specifically, it has developed the rocket power plants for the Titan ICBM, the Navy's Polaris missile and the Vanguard earth satellite, among others. Aerojet is, in corporate form at least, a continuation of the old Crosley Corp., which collapsed back in 1950

and was forced to endure the indignity of a 1-for-20 reverse split. In 1953, however, it entered its present sphere of operations, and last year redeemed itself from its earlier debacle when it split 10-for-1 after its stock nearly hit 700.

In a case like this, current earnings obviously mean little. Last year's earnings of $1.39 per share were by far the highest in the company's history, and the increase to 40¢ in the first quarter of 1959 from 24¢ a year ago indicates that the rate of growth is not slackening, but just the same the current price of around 88 is obviously counting on very sharply increased earnings still to develop in the future. This may be a fair bet under our present defense-oriented economy. Nevertheless, purchases of such an issue should be confined to investors who, if they have happy plans for the enjoyment of their expected large profits, would not suffer too much if these failed to develop. The great bulk of Aerojet's sales are made to the government under prime contracts, and obviously this market is vulnerable to disturbance by either domestic or international political developments.

Another member of the glamour group is **Litton Industries,** the West Coast electronics and controls manufacturer. This company's sales have leaped from scarcely $3 million as recently as 1954 to no less than $83 million last year. Much of this growth was, to be sure, accomplished by the absorption of other companies—all of them also very new, except for Monroe Calculating Machine Co., acquired last year—but per share earnings also increased impressively from 28¢ in 1954 to $2.13 last year. This progress continued in the first quarter of the present year, with a leap in earnings to 87¢ from 54¢ a share.

With this record the company's current price/earnings ratio of around 35 times is not as unreasonable as a superficial glance would indicate. Here again, to be sure, the investor must count upon a substantial expansion of earnings to justify the present price but the company is more broadly diversified and less exclusively dependent upon the military program than Aerojet. Obviously, either of these non-dividend paying stocks are suitable only for the capital gains investor.

A sharply contrasting situation is presented by the remaining non-dividend payer on the list, **J. I. Case.** Here the objective to be looked for is not so much growth as recovery. Case is an old (founded in 1842), full-line farm equipment manufacturer, which has usually ranked fourth in its industry. The company nevertheless began to slide downhill after 1949; this was partly due to the general decline in farm machinery sales but also to Case's failure to recognize promptly the growing market for smaller implements. From 1949 to 1956 sales volume fell almost 50%, and profits were negligible after 1952.

But in January 1957, Mr. Marc Rojtman entered the scene with his American Tractor Company. Rojtman, an impulsive and adventurous entrepreneur, organized American only in 1950 to assemble tractors from purchased components; by 1956 its sales exceeded $10 million. A merger with Case the following year apparently provided the rejuvenation that the older organization required. Sales have recovered from $87 million in 1956 to $124 million in 1957 and $178 million last year, the latter figure slightly exceeding the previous 1949 peak. Naturally, the general recovery in the agricultural implement field last year was of generous assistance in achieving this cheering performance.

Case has paid no dividends since 1954, and resumption on more than a nominal scale seems unlikely this year. The current price/earnings ratio of about ten times (on the basis of results for the twelve months through the first quarter of 1959) is, however, unusually low in the current market. If the new management should prove able not merely to restore old earnings but to expand them this issue would prove an attractive speculation.

Divco-Wayne, listed on the New York Stock Exchange, has enjoyed a sharp gain to 30¢ from 12¢ a share in its first fiscal quarter of 1959. This concern is considerably smaller than any of the unlisted companies described above, but is engaged in the important business of manufacturing specialized-body delivery trucks. A spin-off from Continental Motors some years back, Divco failed to maintain its relative position in the industry or show much growth, until its merger with Wayne Works, a manufacturer of bus and ambulance bodies, two years ago. This merger roughly doubled previous sales and brought other advantages that have been reflected in earnings, although the past record does not give hope for further internal growth, and the stock, although reasonably priced, hardly arouses any enthusiasm. It must be remembered, however, that a company like this is always a likely candidate for merger with some other organization, often to the advantage of existing holders. In fact, a plan for consolidation with Studebaker-Packard has recently been under consideration, and although the nuptials were called off, there may well be other suitors in the offing.

Eagle-Picher Co. is among those enterprises suffering most severely from the 1958 recession; its sales last year declined 17% and net income dropped more precipitously to $2.08 from $4.25 per share. However, the doubling of its first quarter 1959 earnings to $1.05 a share from 50¢ a year ago supports the hope that a strong recovery is now in process. The company is a long-established lead and zinc miner in the Tri-state (Missouri-Kansas-Oklahoma) district. This activity, however, has offered little scope for expansion, while earnings were also vulnerable to metal price fluctuations. Accordingly, a program of diversification has been carried out in recent years by entrance into the manufacture of derivative products, such as screens and doors, ceramics, molded rubber parts and the like. Manufacturing now normally accounts for 75% of sales, vs. 25% for mining and smelting. The automobile industry is by far the largest customer, so that its reduced production and liquidation of inventories was particularly painful to Eagle-Picher last year.

Reflecting this attrition, the company's stock is today selling no higher than the upper limits of its annual range both in 1956 and 1957. But while this price still represents a generous appraisal of current earnings, a recovery merely to "normal," or the average for the past decade, would transform it into a very conservative valuation. The sharp first quarter come-back is a favorable sign.

(Please turn to page 120)

Emerging problems in the
Money Market

By Michael Stephen

- **Why concentration on short-term financing under continued deficit spending can endanger Treasury position**
- **How do we meet the $122 billion public debt (one-half of total public issues) falling due within next year?**
- **Examining the $34 billion I.O.U. question, where over-emphasis on short-terms increased over 50% in nine months**
- **Why interest rates should be increased to attract buying of Government bonds today**
- **Foreign critics turn guns on U. S. dollar**

THE money and bond markets gave a surprisingly good account of themselves in March, normally a month in which corporate tax payment requirements put the markets under considerable pressure. This was all the more impressive in view of the fact that March saw a $4 billion Treasury deficit financing operation and a boost in the Federal Reserve discount rate from 2½ to 3%. It is difficult to resist the temptation to conclude that the money market has at last reached a position of stable equilibrium, that the long period of strain and atmosphere of crisis that began with the bond market collapse last summer has ended. But this would be a superficial and incorrect reading of the facts.

The truth is that the current serenity in the money market is no more than a temporary respite. Indeed, it could best be described as the calm before the storm. It is a period in which investors and Treasury debt managers ought to be seizing the opportunity to re-examine policies which no longer fit the facts of the current situation. It would be a pity if the relative calm which now pervades the markets were to lull us into complacency.

The fact is that the money market faces an increasingly serious probability of an overburden of demands for borrowed money, growing out of excessive deficit financing at all levels of government, and an inevitable rise in the private demand for loan funds as business recovery gathers strength, at the same time that investors and lenders are growing more reluctant to lend at current interest because of fears of inflation. A strong business recovery could bring large increases in interest rates. Yet the Treasury continues to concentrate its financing operations at short-term, issuing securities which enjoy a strong market now, but which will have to be refinanced within a year or two when money market conditions may be far less favorable.

This is far more than a matter of concern to investors, specialists in finance and Treasury debt

Treasury Obligations Due or Redeemable Within One Year, As of April 1, 1959
(In billions of dollars)

	Outstanding April 1, 1959
Treasury Bills	$34.2
Certificates	34.4
Notes Due Within 1 Year	1.5
Bonds Due Within 1 Year	—
Depositary Bonds	0.2
Series A Investment Bonds	0.7
Savings Bonds	51.0
Total	$122.0
All Public Issues	239.4
% of Public Issues Due in 1 Year—51.0%	

managers. As *The Economist* of London reported March 7, in an article on international currency dealers, ". . . the guns have turned on the U.S. dollar." What a Treasury debt crisis and acceleration of the decline in the U.S. gold reserve could do to our position as leader of the Free World and the main defender against the Soviet Union's drive to world domination hardly needs to be spelled out.

The Treasury's Shaky Debt Position

The U.S. public debt badly needs to be put in better shape. Market observers have made much of the fact that in March the Treasury was able to place $1,500 million 4-year 4% notes and a $500 million additional offering of the 4% bonds of 1969, following up the sale of $884 million 21-year 4% bonds in January and $1.4 billion 3-year 4% notes in February. Measured against the atmosphere of a few months ago, when some people expressed fears that Treasury bonds were unsalable, this *is* a considerable achievement. But it is only a beginning.

The fact is that, despite these efforts, we are not even holding our ground in maintaining a balanced debt structure. The average maturity of the marketable public debt actually declined from 4 years and 10 months on December 31 to 4 years and 9 months on April 1. It will take a great deal of persistent effort to reverse the long decline in the average maturity of the debt which has taken place since World War II. The 4 year 9 month average maturity on April 1 is less than half the 10 year average maturity on June 30, 1947. The chart on page 77 shows the April 1 figure against the average maturity at fiscal year ends since 1947.

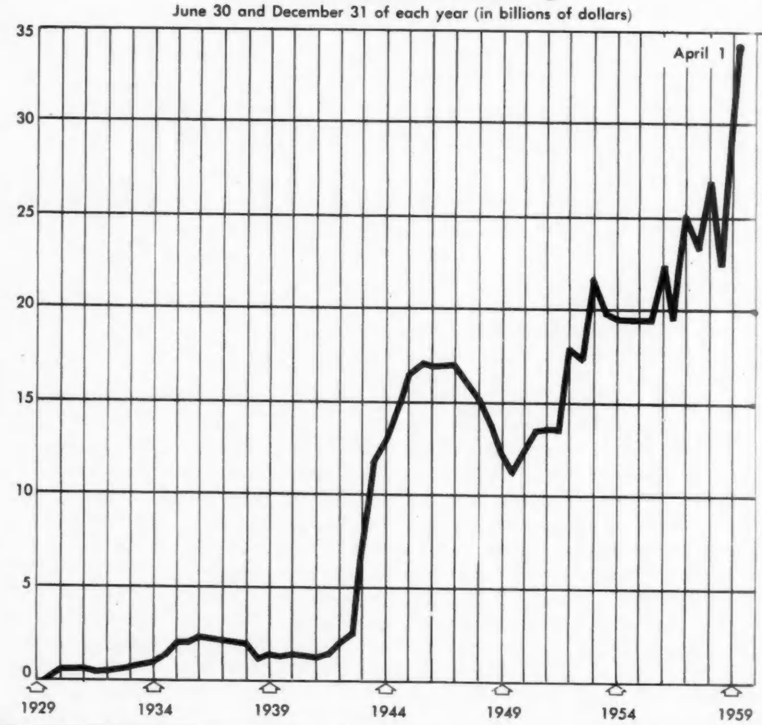
Much of the shortening represents the mere passage of time. Every day shortens the maturity of the debt. Thus, just to hold its own the Treasury would have to do a good deal of debt lengthening. Extending the average maturity of the debt calls for strenuous effort, which the Congress and the public must support if it is to be successful.

The average maturity of the marketable public debt is an abstract kind of figure. It is a useful measure of where we stand in relation to past situations but it is not easy to grasp what it means in concrete terms. What too short a debt means for the Treasury debt managers can best be seen if one looks at how much of the debt will have to be refinanced within a short period. When all public issues are taken into account, no less than $122 billion public debt falls due within the next year. This is more than half of total public issues outstanding. Three quarters is due within five years. The breakdown of public issues due or redeemable within one year is shown in the table.

Over-emphasis on Short-term Finance

The disquieting feature of recent Treasury financing is the over-emphasis on *short-term issues. This has continued well beyond the point where it could be justified as an emergency expedient* because of

U.S. Treasury Bills Outstanding
June 30 and December 31 of each year (in billions of dollars)

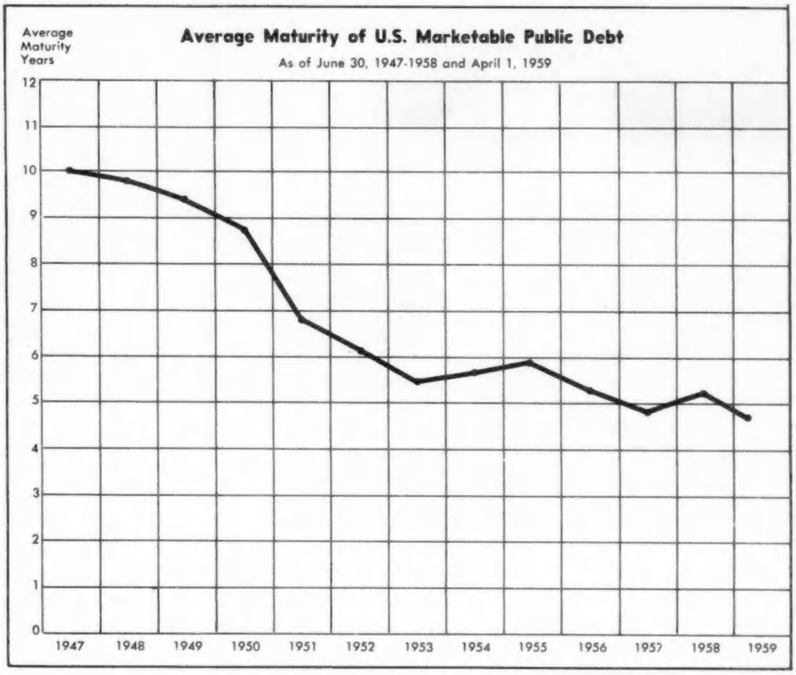


inability to sell intermediate or long-term securities. Thus, in its March financing, while tapping the note and bond markets, the Treasury sold $2.0 billion of new special Treasury bills due January 15, 1960.

It is a fact, though little recognized, that increased Treasury bill issues have accounted for no less than $11.8 billion or 88% of the $13.4 billion deficit-caused increase in the public debt since last June 30. The amount of Treasury bills outstanding has been raised from $22 billion to $34 billion on April 1, a

new record total and an increase of more than 50% in just nine months. As the chart on page 76 shows, the *total of Treasury bills outstanding is now double the amount at the close of World War II* financing and *340 times as large as it was when bills were first introduced* as a stop-gap financing device back in 1929.

Moreover, plans call for increasing bill issues still further. Treasury officials have announced that the new bills are the first step in a program to set up a new series of bill maturities at quarterly dates, January 15, April 15, July 15, and October 15. The idea is that when the January special bills come due, they will be replaced with new one-year bills also sold at auction. A tentative goal is to have about $8 billion of the new one-year issues outstanding. Heretofore, regular issues of bills have been confined to 91 or 182 day maturities.



The $34 Billion Question

The $34 billion question is how long the Treasury can keep this volume of short-term IOU's placed. Symptoms of indigestion in the market may become apparent in May and certainly in the latter half of the year when business activity gets into high gear, inventory accumulation quickens again after a third quarter slowdown, and business plant and equipment outlays reduce the liquidity of business corporations which are the main holders of Treasury bills.

Corporations are temporary holders of Treasury securities. Inventory reductions last year, reduced levels of plant and equipment expenditure needs, and—beginning in the second quarter of 1958—improving profits have generated the cash which has helped finance the Treasury deficit through bill purchases. In effect the Treasury has been sailing with the wind in its short-term financing.

But now the wind is changing. The *short-term market will be in for a real test when corporations become competitors with the Treasury for funds, dip into reserves invested in U.S. securities and at the same time seek additional bank loans.* For broadened business recovery means inventory accumulation and upturn in capital spending programs, both of which take more money. *At the same time, the biggest part of the rise in profits is probably already behind us;* it is in the early stages of recovery that business has the benefit of recession-caused cost-reduction programs and increased volumes of orders are taken care of in the most efficient and lowest cost plant.

If we wait for the crisis to develop there will be no satisfactory answer to the $34 billion question. Better rates might keep the bulk of the bills in corporate hands but it is an open question how high rates might have to go. Treasury bills at 4% might do the trick, but even this might not be enough, disregarding the question of what this level of bill yields could do to the bond markets. If banks replace the corporations as the main holders of bills, they will have to be provided with new cash reserves — something the Federal Reserve authorities might well be reluctant to do in view of the inflationary potential of still more money in a prosperous business situation. The mere fact that so many bills are outstanding is already hampering Federal Reserve credit policy by encouraging more rapid turnover of the existing money supply and giving holders of bills an automatic call on Treasury cash within a few months regardless of how restrictive credit policy becomes.

The conclusion is inescapable that we ought to be taking action now to reduce reliance on short-term finance and to develop markets for longer-term Treasury securities while conditions are still relatively favorable.

The Opportunity Is Now

The recent stability in the money and bond markets has enabled the Treasury to put out modest amounts of bonds and notes, as noted earlier. It would be unrealistic to expect the markets to remain as favorable in May and June as they were in February and March. But there will be opportunities to put out intermediate and longer-term issues and they will have to be seized as they appear. The market's receptivity in February and March was in part a reflection of the usual seasonal uncertainty about the strength of business. January and February are always months of seasonal slowdown in construction, retail trade and manufacturing activity and even experienced business analysts can never be sure that the "seasonal" weakening of business is no more than that.

Moreover, the current *(Please turn to page 110)*

Inside Washington

By "VERITAS"

WHETHER a coalition of right-wing republicans and southern democrats of similar economic persuasions actually exists or merely is a flash in the pan which may not be counted on for a serious contribution toward fiscal steadiness will be tested in the post-Easter recess activities of Congress. For a certainty the effort toward economizing, especially on non-defense programs, will start with the group of democrats led by Senator Harry F. Byrd. They will contribute oratory and argument, but the question remains: "Can they also deliver votes?" Unfortunately, the answer to that seems to be no, they cannot.

WASHINGTON SEES:

The Administration has under consideration two changes in procurement policy, at least one of which is certain to have a damaging effect upon private business. They are: 1. A reduction and rapid acceleration toward ultimate discontinuance, of the practice of awarding cost-plus contracts. 2. A reversal of policy on government competition with private business, which would result in retaining, possibly enlarging, commodity and service government-owned plants which, having no overhead, underbid private companies.

The decision to reduce dependence upon contracts which stipulate payment plus reasonable profit is stimulated by the need for early decision on whether the Contract Renegotiation Act shall be renewed and, if so, for what period of time. The method, and the administrative law, have been sources of contention and litigation from the start; to abandon them would end that, if nothing more. Industry probably is more opposed to the decisions reached under the law than with the statute itself. Yet no cure short of repeal seems in sight.

The Budget Bureau has circularized agencies instructing them not to contract out work unless it can be done more economically by private firms. But no formula of comparison is suggested, such as inclusion of lost taxes, overhead, etc. when a government agency "bids" against tax-paying, way-paying private enterprise.

DISPOSITION on the part of many casual observers is to take for granted the statement that the democrats are the spenders and the republicans the economizers. There really is little reason for quarreling with the premise except on the basis that generalization always is dangerous and, in some situations, leads to faulty conclusions. Important ones. For example, the upcoming housing bill. When the vote is taken on this measure a shift in the coalition will be found; it will be a redistribution. Southerners are likely to be found on the side of the President's more economic housing bill. But GOP "desertions" will be numerous.

UNEXPECTED stiffening of House opposition to lavish airport construction expenditures has forced a change of pace on the part of the democratic leadership. The Senate voted an airport building-and-aid bill totaling $465 million, but the House reduced the amount to $297 million. (Either would unbalance the Eisenhower projections.) Had there been closer accord, the democrats would have sent the airfield bill to Ike for signature and rejection, confident they could overturn a veto. Now they're not so sure. So they'll delay conference on the airport bill, make the test of veto overriding on housing or depressed area aid.

SENATOR BYRD has capsuled the problem thusly: "In the past and current years, we moved between January and June from estimates of virtually balanced budgets to combined deficits totaling $15 billion. At the present rate, Federal agencies would spend more than $400 billion in five years. This would mean that a Federal debt of more than $300 billion is in immediate prospect. With fiscal soundness I would have no fear for the future — economically or militarily. But assurance of fiscal soundness in the future does not now exist. This is my concern."

As We Go To Press

►Whether the blockade on oil imports is economically defensible will be debated on Capitol Hill, but there appears to be only one-sided discussion of the fact that it was unfortunate in point of timing. Against a declared policy of the United States to promote freer international trade, it sounded a grating note. It must have the result of lessening supplies of oil on the home front, probably increasing consumer costs, and tending to deplete reserves which the country learned from sad experience are essential to defense. And it comes at a time when State Department representatives are making ready for summertime parleys with legates of 16 foreign nations to knock down existing trade walls!

►If there were overtones of domestic politics, as critics uniformly charge, the effort must be described as too obvious, and obviously too futile. Texas and other oil producing states have powerful representation in Congress – democrats lead both Houses. They're for Texas first, the democratic party next, and Ike's party nowhere. But it doesn't stop with the demmies: the populous northern states, especially the northeast, where the remnant of the GOP is making its bid to stay alive, is furious. Senator George Aiken, Vermont republican, said flatly that President Eisenhower is "playing politics." Aiken is not opposed to that strategem, per se, but he has harsh words to describe the political naivete of anyone who may think Lyndon Johnson and Sam Rayburn can be won over so easily.

►Senator Aiken, perhaps, is not the classic example of dyed-in-the-wool republicanism. This is somewhat surprising in view of the fact that his state has never placed in the democratic column in a Presidential election. Yet he has no difficulty winning re-elections. Aiken is off the party reservation on the issue of balanced budget: he doesn't agree that it's as all-important as the White House contends – sometimes – that it is to have income and outgo match. The Vermonter is even more emphatically vehement against the oil import blockade. It is, he fumes, discrimination against his part of the country, will boost prices, aggravate delicate relations with Canada, harm our position in foreign markets, drain supplies of oil needed for defense – and has no offsetting political advantage.

►The fact that it was possible to keep secret for several months, the amazing and inspiriting success of Project Argus is a many-sided circumstance. There are those who will argue that it was absurd, if not downright unwise, to keep the scientific knowledge from spreading. They may have a point. But as it turned out the timing couldn't be better: the story was cleared at a time, and under circumstances, which could and did have blockbuster effects on Nikita Khrushchev cat-and-mouse game of international relations. While he continued to talk of "peace treaties with the two Germanys" and thereby reveal that his prime aim of preventing unification still prevails, Nikita had been forced into a position which carries a summit conference one step nearer. That doesn't guarantee success of such a meeting, but it is progress.

►The right of the public to know what its government is doing have sufficient constitutional protection to require no further proofs. But the same document imposes upon the government the responsibility to wage war and peace and to preserve the Union. Whether it was wholly wise to generate such wide publicity on early Cape Canaveral activities which were foreordained to failure, is debatable. By the very nature of scientific performance and experience, Russia undoubtedly did as bad, or worse. To present the position of those who condemn the full publicity approach (without, necessarily, subscribing to it), the Kremlin gained great propaganda mileage out of its Sputnik, whereas our

Vanguard was greeted with some degree of contemptuous sarcasm: "Finally made it!'

►In view of that brand of thinking, it is surprising to hear many of those who opposed the "unfortunate publicity" in early Canaveral days now complaining that Project Argus was not thrown into the domain of public thinking with the first blush of success. The type, nature, and implications of upper-atmospheric nucleur explosions that had been accomplished took many weeks, months, to appraise. Had Russia known uncertainty existed, the Kremlin would have removed it with loud proclamations that Red scientists had "done it again." Only Russia would have claimed finality down to the minutest calibration.

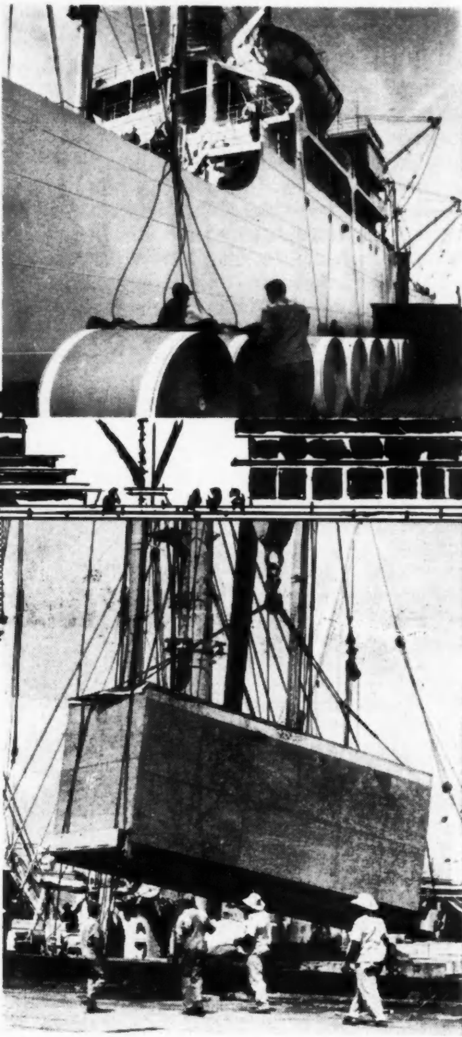
►By withholding, instead of going off half-cocked and forcing themselves into a position of backtracking and filling, thereby casting reasonable doubts, the United States experts including military personnel put themselves in a position to strike a telling blow for science. They reaped a harvest. It was added testimony to the fact that science knows no geographical boundaries, added proof that whatever the Russki technical mind can produce, we also can – and, usually, better or earlier, if not both better and earlier. And the timing was grand: it was the first major breakthrough to catch Russia with a long inhale instead of the usual windy blast. All because Nikky hadn't been put on notice.

►If the prediction made by a particularly well-informed source is borne out, construction this year will top the $70 billion figure for the first time in history. W. R. Wilkinson, Johns-Manville Corporation, is aware of the odds that usually prevail against record breaking in the home-building industry, but his samplings and forecasts add up to $50 billion in new home construction and $20 billion in improvement, maintenance and repair of existing structures. Mr. Wilkinson noted that to some extent the 1959 forecast could be affected by the ease of quick mortgage money but he foresees danger only in the event the Federal Reserve Board is compelled "to step hard on the money brakes." One of the factors counted on is the sharp increase in family formations as "war babies' of the early 40's marry, raise families, place a down payment on a home.

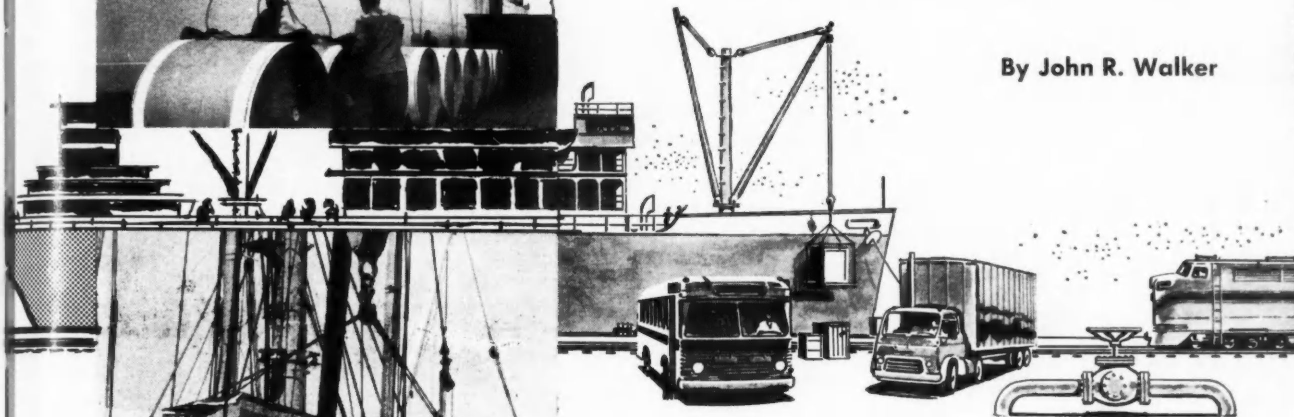
►Under any version, or compromise, which appeared to have the slightest chance of acceptance by Congress, the public housing and airport bills would throw the balanced budget out of equilibrium, as forecast – and, it seems, as planned. This being the accepted fact of fiscal life in Washington, speculation has turned to how President Eisenhower will perform when the legislation reaches his desk. If he signs the two measures, Democratic and Republican Liberals will feel they have the green light for increases in other spending programs.

►If Ike vetoes, and is supported by two-thirds vote in Senate and House, the liberals will know they face hard going for the remainder of the session. The Democrats have powerful majorities in both branches of Congress but they lack, in each, the two-thirds which would be necessary to override a veto. This plus the fact that the most ardent and articulate, if less numerous, conservative leaders are democrats, shifts the burden of economy to the GOP on Presidential veto actions.

►Organized labor has thrown its influence behind legislation to allow TVA to finance new power facilities by selling revenue bonds. Even if this power is granted, the Tennessee Valley Authority will face the possibility of temporary power shortage to serve its customers, AFL-CIO warned. Through the years of the big public power operation, no setaside for expanding or replacement facilities has been made. Labor spreads the blame with a trowel: The Power Trust, Big Business, the Eisenhower Administration and the Congress. While TVA is a creature of Congress and has been babied along, the lawmakers have assumed that the promises of self-sufficiency made on its behalf would be fulfilled. In the light of the subsidies granted, the use of public money for regional benefit, and the shield against competition which has been thrown about it, even the most vocal friends of TVA take the position this is not too much to ask. And they ask: "If not now, when will TVA be on its own?"



U.S. TRADE BEING CLOBBERED on EVERY FRONT



By John R. Walker

- ► **Undersold in our home markets**
- ► **Killing off our export trade both on price and quality**
- ► **Countries that are our heaviest near term and longer range competitors**
- ► **Solutions for meeting dilemma of Russia's manipulated trade system**

WASHINGTON—That formidable trading symbol, "Made in U. S. A.", which became a synonym around the world for the good, inexpensive, mass-produced article, is losing its magic.

It is being ignored in the trading markets abroad while at the same time failing to stem the tide of foreign imports at home.

This serious change in the US export-import picture has provided an economic problem that is harrying the Eisenhower administration, intriguing economists, and worrying American businessmen today.

What is the trouble? Is the shrewd Yankee trader of global renown slipping? Or are conditions beyond his control, both in the US and abroad, nullifying his best trading efforts?

There appears to be a bit of both behind this problem. As a result some leading American industrialists, home from surveying the competition abroad, are not only applauding the lack of wage pressure in foreign lands, but also noting the improved design and selling techniques of overseas competitors. The American government sees budget deficits and inflation as the chief cause for US goods pricing themselves out of world markets and that is behind President Eisenhower's determined fight for a balanced budget this year.

At the same time, there is at least one US senator who views the influence of a beefed-up Russian state trading program as decisive, and is urging upon the US administration a wide range of federal export subsidies to put American goods into a good competitive position abroad. His "solution" is only one aspect of ideas now being tossed around in some sections of the State Department—that the United States may eventually have to adopt some kind of state trading system of its own to prevent the Communist world from underselling the US in foreign markets.

Long Term Threat

But while the Russian trade threat is very important—as witness its inroads in Western markets for tin, aluminum, nickel, zinc, benzene and petroleum products—it is, at present, a longer term danger. It is the opening gun in Nikita Khrushchev's campaign to "insure the Soviet Union's triumph in the peaceful economic competition with the capitalist countries."

Near Term Threat

The immediate threat to the Yankee trader lies in those other capitalist countries, Britain, France, West Germany, Italy, the Netherlands and Japan, whose products are underselling and outcompeting American goods around the world and right here at home.

President Eisenhower pointed out the essential facts in his economic message to Congress in January:

"While imports were well maintained, exports declined sharply after mid-1957 . . . From the first half of 1957 to the first half of 1958, the value of merchandise exports fell more—in relative, as well as in absolute terms—than those of all other countries combined.

"Exports of the industrially developed countries declined relatively little and unlike those of the United States, remained significantly higher in the first six months of 1958 than in the first half of 1956."

This situation has built up slowly since the end of the Second Great War, but in the past two years has suddenly exploded into a situation where the US trader is getting clobbered on every front.

How This Came About

US commercial exports, which were $4.1 billion in 1940, rose swiftly during the years when war-battered Europe and Japan were struggling out of the ruins and by 1956 had reached about $17 billion. The US government was, at the same time, pouring billions of dollars in Marshall Plan and other aid into Europe and Asia, in a necessary effort to put these countries back on their economic feet and thus improve trade everywhere, including the United States.

But during this period, also, the American trader faced very little effective competition in Latin America, Asia and Africa, and, in the view of many economists and government officials, became somewhat complacent. They had a vast home market to satisfy and a rising economy in which to work, and the goods they produced were priced and designed for an increasingly affluent society.

Yet in a world of revolution and incipient nationalist movements, the huge new mass markets that were opening were composed of people who could neither afford the inflated prices nor accept the excessive gadgetry of many US products. Oil-rich sheiks and Latin-American dictators still wanted their Cadillacs, but ordinary people abroad took to Volkswagons.

After the Suez troubles, in 1957, when unusual circumstances helped boost American commercial exports to a record-breaking $19.5 billion, the American trader still seemed to be on top of the heap. But in 1958 these exports fell off to $16 billion and this year's prospects are not much better.

Hitting Basic Products

Chiefly affected are such goods as cars, metals, petroleum, coal, wheat and cotton. And the items which Americans have long been famous for mass producing and shipping everywhere—autos, bicycles, typewriters, sewing machines and so on—are the very exports hardest hit by rising competition from Europe and Japan.

And that competition is becoming not only statistically noticeable in the U. S., but it is affecting US design and style planning in some products. US bicycle manufacturers are having to produce less-inflated models to compete with the stripped down European versions. US typewriter firms are trying to compete in portable designs with Swiss and Italian models. And the Big Three motor companies have just announced plans for small cars to compete with the foreign car influx.

For the facts are plain: For example the US in 1956-57 *exported 80,000 sewing machines but imported 2,000,000. The US exported 100,000 typewriters in 1957 and imported 337,000, and by the first nine months of 1958 the ratio was up to 42,000 to 280,000. The US exported hardly any bicycles in 1958 and imported 800,000. And the US car exports are about one fifth what foreign imports here are now. Foreign automobiles had gained 8.2 per cent of the US market in 1958 as compared to 3.3 per cent in 1957.*

Impact on Industry — on the Dollar

US imports, which amounted to $13 billion in 1957, slid only fractionally in 1958, as European goods continued to climb over US tariff walls, and as a result some American companies, as in the machine tool industry, are buying foreign firms in order to produce and sell, both overseas and in the domestic US market.

All of this is having its effect on the value of the US dollar and encouraging the outflow of American gold in record amounts last year. The biggest reduction of US gold reserves in history was recorded in 1958, when about $2.3 billion left the country. This does not mean a lack of confidence in the dollar, according to some leading economists, for they point out that this flow was chiefly to nations with large dollar profits from their trade who wanted to buttress their own currency with more gold.

Dangerous Psychological Repercussions

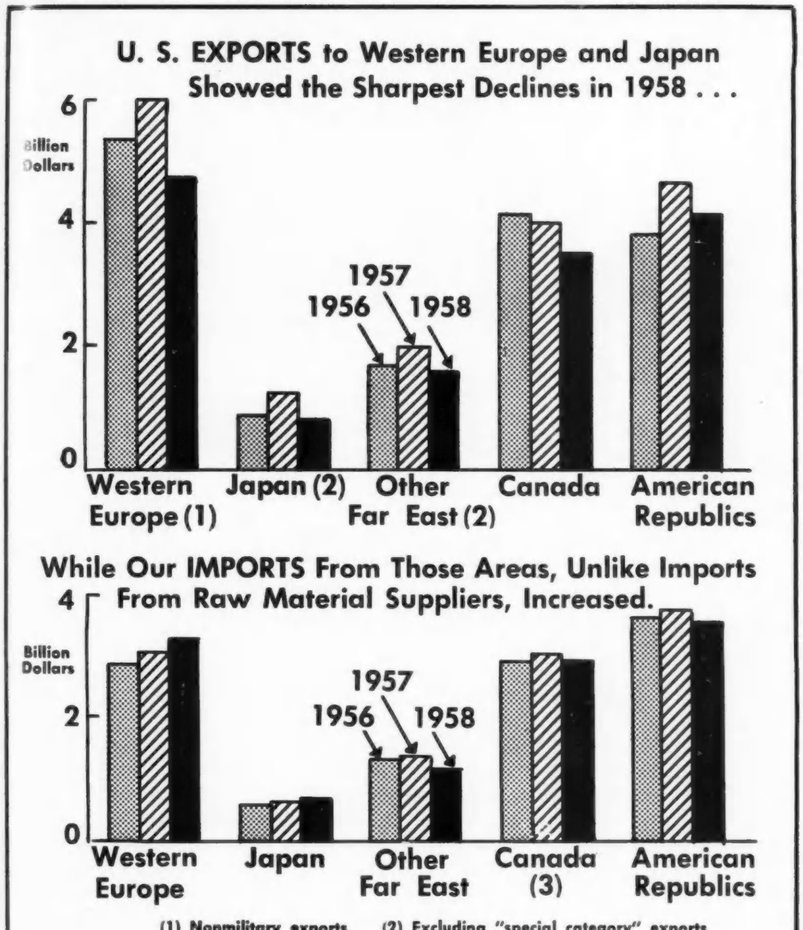
But they also know that if this run on gold were to build up into a genuine "flight from the dollar", the psychological effect could bring on serious economic dislocation.

It is for this reason that the Eisenhower administration has made almost a fetish out of balancing the budget this year. Budget Director Maurice Stans said recently: "The eyes of the entire world are upon us. Our dollar's value in the world market, our ability to sell goods and services to other nations, the confidence that the free world will have in us, all depend on our ability to manage our fiscal affairs."

Treasury Secretary Robert Anderson emphasized the budget problem when he said: "If we run continuing large deficits in prosperity and so almost inevitably drive up prices, we may price ourselves out of the world market." How, he concluded, "are

we to discharge our world-wide responsibilities if our international economic position weakens?"

The stand which the Eisenhower administration has taken against inflationary tendencies has won considerable support in the editorial pages of this country. The argument, that the US cannot forever continue to run up deficits in its national balance sheet without getting into trouble, has struck a chord in many minds. *It has been pointed out by economists that European countries have made a more consistent effort to keep inflation under control than the US has, and the results are showing up in their international trade balances.*



(1) Nonmilitary exports. (2) Excluding "special category" exports. (3) Adjusted to include uranium ores

But aside from the effort which the Eisenhower administration is making to contain inflation by cutting down federal expenditures and trying to balance the budget, there are other methods which trade experts say must be tried to meet this market invasion.

The Kind of Competition

John J. McCloy, board chairman of the Chase Manhattan Bank, member of the Draper committee on foreign aid and an ex-high commissioner to Germany, had this to say: "We have to face the fact that in many lines we are pricing ourselves right out of the world market. It is up to us to make clear to all that we have to keep prices and costs down, we have to make better products and we have to work harder and longer to make them.

"There are disconcerningly large numbers of people in this world who are working harder than we, and they are achieving comparable know-how. I have referred to Europe, but we are all aware of the tremendous strides Russia has made in industrial development. We no longer stand out as the single great supplier of goods we were in the early post-war period."

The National Industrial Conference Board, in a study prepared by Theodore R. Gates and Fabian Linden at the instigation of the House Ways and Means Committee, discovered that in *55 out of 85 products studied in Western Europe the unit production costs were lower than in the United States.* Of the 30 remaining cases, the costs were about the same as the US in 14 instances and only in 16 were the unit costs higher. Seven Western European nations were covered in the study and only France among them showed costs higher on an average than the US.

These *costs* were not found to be lower by any fractions either, but were *"substantially" lower than American costs.* Four fifths of the British cases that were less costly than comparable American ones had total unit costs less than 85 percent of those in the United States. And in West Germany at least half of the cases were in this same category. Labor and overhead costs were biggest measure of the savings abroad, with material costs coming out about even.

The Factor of the European Common Markets

It is among these very strong competitors that the biggest trade challenge of 1958 developed with the formation of the European Common Market. The six nations in this market provide tariff benefits for the members that may strengthen basic industries, and they have made their currencies convertible into dollars, which means they expect to be in a position in future to earn more dollars than they spend.

American industrialists who have gone abroad to learn why their products are being undersold have placed much blame on high wage rates in the U. S. Ernest R. Breech, chairman of the Ford Motor Company, found European factories producing cars at a rate comparable to that at home and in useful and less expensive designs. But more important, he felt,

(Please turn to page 112)

The OILS
Global & Domestic Outlook

By John H. Lind

THE year 1959 promises to be better than 1958 for the oil industry, but probably not quite as good as 1957. This, in the briefest terms, is the outlook for the current year.

For an analysis of the underlying reasons for this prognosis, it is necessary to go back to the end of 1956. At that time, the sudden emergence of the Suez crisis created an unprecedented demand for oil exports, while at the same time causing a reduction in U. S. imports. The result was an all-time production record during the first half of 1957, plus a substantial increase in both crude oil and products prices. As we know, this situation did not last beyond June 1957 when the whole industry was suddenly thrown into reverse, so to speak, with demand declining, stocks growing, excess capacity increasing, exports drying up, and imports beginning to flood the country.

Domestic Decline and Adjustments

The sudden end of the Suez crisis was only one reason, though certainly a major one, why the oil industry went into a sudden tail spin, starting about 21 months ago. The upswing at the beginning of the Suez crisis merely hid a trend which was about to become obvious, namely a temporary stagnation in U. S. domestic oil demand. Suez caused a postponment of the consequences of this decline for about seven months. But when it came it hit fairly hard, particularly since it followed an extended period of unprecedented growth in oil demand, both at home and abroad. From the middle of 1957 until the last quarter of 1958, total U. S. oil demand showed almost no increase, compared with an average annual rate of growth of 5 percent for the postwar period up to last year.

Flexibility not being one of the chief characteristics of the American oil industry, the necessary adjustments in the production sector were not immediately forthcoming. Thus, continued overcapacity to produce both crude oil and refined products caused a weakening of the price structure throughout the industry. In the last twelve months, U. S. crude oil prices have declined by 12 cents a barrel, thus wiping out about half the price increase of January 1957. Since U. S. oil prices at the Gulf Coast are still considered the basis for world-wide oil

Comparative Earnings and Dividend Records of Leading Oil Companies

	Earnings Per Share 1956	Earnings Per Share 1957	Earnings Per Share 1958	Dividends Per Share 1956	Dividends Per Share 1957	Dividends Per Share 1958	Recent Price	Div. Yield	Price Range 1958-1959
Amerada Petroleum	$4.20	$4.74	3.60[6]	$2.00	$2.00	$2.00	99	2.0%	114⅜- 81
Anderson-Prichard Oil	3.41	2.93	2.08	1.15	1.20	1.20	33	3.6	36⅝- 22
Atlantic Refining	5.11	3.82	3.61	2.00	2.00	2.00	49	4.0	50½- 34
Cities Service	6.03	5.63	4.18	2.40[1]	2.40[1]	2.40[1]	60	4.0	64¾- 44⅜
Continental Oil	2.65	2.38	2.41	1.52	1.60	1.60	66	2.4	69¾- 38⅝
Cosden Petroleum	2.12	2.34	2.01	.81[1]	1.00	1.00[1]	22	4.5	22⅛- 15½
Creole Petroleum	4.34	5.11	3.08	3.75	4.00	2.60	56	4.6	78⅞- 55
Getty Oil	.49	.93	.90[6]	[2]	[2]	—	24	—	30¼- 23⅛
Gulf Oil	9.54	11.38	10.17	2.50[1]	2.50[1]	2.50[1]	114	2.1	129 -101
Humble Oil & Refining	2.49	2.45	1.89[6]	1.20	1.35	1.40	64	2.1	74½- 41½
Imperial Oil Ltd.	2.20	2.29	1.61	1.20	1.20	1.20	46	2.5	49⅞- 39⅙
Ohio Oil	3.14	3.16	2.45	1.60	1.60	1.60	42	3.8	44⅜- 28½
Phillips Petroleum	2.77	2.80	2.45	1.70	1.70	1.70	52	3.2	52⅛- 21⅞
Plymouth Oil	3.22	2.40	1.79	1.60[1]	1.60[1]	1.20	29	4.1	32¼- 21⅞
Pure Oil	4.26	4.13	3.35	1.60	1.60	1.60	46	3.4	46½- 29
Richfield Oil	6.64	7.04	5.00	3.50	3.50	3.50	94	3.7	111 - 55
Royal Dutch Petroleum	4.97	5.89	NA	1.05	1.70	1.32	43	3.0	53¼- 37¼
Shell Oil	4.49	4.46	3.85	2.00[1]	2.00	2.00	84	2.3	88 - 58
Sinclair Oil	5.98	5.18	3.23	3.00	3.00	3.00	64	4.6	67½- 46⅜
Skelly Oil	5.93	6.40	4.82	1.80	1.80	1.80	69	2.6	72⅜- 48
Socony-Mobil Oil	5.70	4.56	3.22	2.50[1]	2.50	2.00	46	4.3	52½- 44½
Standard Oil of Calif.	4.24	4.56	4.08	1.80	1.90	2.00	54	3.7	62⅛- 43¼
Standard Oil of Indiana	4.22	4.24	3.29	1.40[5]	1.40[4]	1.40[3]	48	2.8	50⅛- 35⅙
Standard Oil of N. J.	4.11	3.96	2.73	2.10	2.25	2.25	52	4.3	60¼- 47½
Standard Oil of Ohio	5.35	4.79	4.82	2.47[1]	2.50	2.50	61	4.1	64⅞- 42⅝
Sun Oil	5.22	4.17	2.73	1.00[1]	1.00[1]	1.00[1]	62	1.6	69 - 59
Sunray-Mid Continent Oil	2.41	3.00	2.14	1.20[1]	1.26	1.32	28	4.6	29 - 20⅜
Texas Company	5.51	5.94	5.31	2.35	2.35[1]	2.40	79	3.0	89 - 55¾
Texas Gulf Producing	1.46	1.70	.90	.60[1]	.60[1]	.60	28	2.1	37 - 22⅝
Texas Pacific Coal & Oil	2.01	2.01	1.61	1.00	1.00	1.00	31	3.2	39⅜- 24⅞
Tidewater Oil Co.	2.98	2.54	d.03	[2]	[2]	[2]	23	—	28½- 20
Union Oil	4.45	4.95	3.18	2.40[1]	2.40	1.00[1]	48	2.0	54⅜- 40⅝

NA—Not available.
d—Deficit.
*—Current annual dividend based on latest rate.
1—Plus stock.
2—Paid 5% in stock.
3—Plus 1/200 share of S.O.N.J. stock at cash value of $0.30 per share.
4—Plus 1/70 sh. S.O.N.J. stock at cash value of $0.69 per sh.
5—Plus 1/65 share S.O.N.J. stock.
6—Estimated.

Amerada Petroleum: Leading crude oil producer mainly in the U. S. Stands to benefit if higher domestic crude prices follow import restrictions. $2.00 dividend safe. **A2**

Anderson-Prichard: Relatively small domestic company producing half of refinery requirements of crude oil. Outlook dependent largely on level of refined product prices. **B2**

Atlantic Refining: One of larger integrated companies producing nearly two-thirds of crude requirements mostly in U. S. Serves highly competitive eastern markets. $2.00 dividend likely to continue. **B3**

Cities Service: Major integrated unit. Domestic crude output close to one-half refinery runs. **B2**

Continental Oil: Major company in strong position with domestic production about equal to refinery needs. Expanding foreign operations. Excellent management. **A1**

Cosden Petroleum: One of smaller units primarily a refiner. Profit margins continue under competitive pressure with bulk of crude requirements purchased. **C3**

Creole Petroleum: Major subsidiary of Jersey. Largest crude oil producer in Venezuela. Adversely affected by higher Venezuelan taxes and import restrictions. Dividend recently reduced. **A3**

Getty Oil: Company has working control of Skelly Oil and Tidewater directly and indirectly. Also produces crude oil in U. S. and Middle East. Adversely affected by import restrictions. **C3**

Gulf Oil: Major integrated unit. One-half of crude production in Middle East. Also production in Venezuela. Domestic position improved. **A2**

Humble Oil: Important subsidiary of Standard of N. J. owning largest oil reserves in this country. Natural gas reserves important. **A2**

Imperial Oil: Leading Canadian integrated company and subsidiary of Jersey. Large potential reserves. **A2**

Ohio Oil: Strong major company with domestic crude oil production more than double refinery requirements. **B2**

Phillips Petroleum: Better integrated major unit with large natural gas reserves. Progressive in petrochemicals. Stake in uranium and rocket fuels. Good management and growth prospects. **A1**

Plymouth Oil: Medium-size domestic company. Production somewhat less than half of refinery needs. Record relatively unfavorable in recent years. **D3**

Pure Oil: Large domestic oil and gas reserves although crude production less than one-half of refinery runs. **B2**

Richfield Oil: Controlled by Sinclair and Cities Service. Operates primarily on West Coast. Program to expand production includes exploration in California and Alaska. Also Venezuela interests. **B2**

Royal Dutch Petroleum: Holding company ranking as second largest factor in world oil industry. About 60% of crude production in Western Hemisphere including Venezuela. Also important in Middle East. **A2**

Shell Oil: Two-thirds owned by Royal Dutch-Shell interests. Integrated domestic company producing over 60% of refinery runs. **A2**

Sinclair Oil: One of leading units. U. S. and Venezuelan production somewhat less than half of refinery needs. **B3**

Skelly Oil: Well-integrated domestic company in strong position with crude production exceeding refinery requirements. **B2**

Socony Mobil: Ranks as third largest international oil company. U. S. production less than half of domestic refinery runs. Important oil interests in Venezuela and Middle East. **A2**

Standard Oil (California): Major petroleum unit in international field. Fully integrated on world-wide basis but important part of earnings from Eastern Hemisphere. Dominant position on West Coast. **A2**

Standard Oil (Indiana): One of largest integrated units producing around half of refinery runs, almost entirely in U. S. Dominant refiner and marketer in middle-west. **A2**

Standard Oil (New Jersey): World's largest oil enterprise with about three-fourths of earnings derived from Western Hemisphere. Controls Creole, Humble and Imperial Oil. Diversified international position. **A2**

Standard Oil (Ohio): Primarily a refining and marketing unit with relatively minor domestic crude output. **B2**

Sun Oil: Integrated and aggressively managed major unit, although crude output is less than one-half of refinery runs. Also shipbuilding activities, primarily tankers. Conservative accounting. **A2**

Sunray-Mid Continent: Medium-size integrated company producing about three-fourths of refinery requirements of crude oil. **B3**

Texas Co.: One of largest international oil units. Western Hemisphere production two-thirds of refinery requirements. Substantial position in Middle East. Excellent management. **A1**

Texas Gulf Producing: One of smaller units engaged in oil and gas production mainly in Texas, Louisiana. **C2**

Texas Pacific Coal & Oil: Relatively small crude oil producer in Texas and other states. Sinclair holds 29% of stock but merger recently blocked by Texas attorney general. **B3**

Tidewater Oil: Medium-size domestic unit producing less than half of refinery runs. Controlled by Getty Oil. Dependent on foreign crude. **D3**

Union Oil (California): Second leading factor on West Coast producing over half of refinery needs. Gulf Oil holds interest. **B2**

RATINGS:
A—Best Grade.
B—Good Grade.
C—Speculative.
D—Unattractive.

1—Improving earning trend.
2—Sustained earning trend.
3—Lower earning trend.

Comprehensive Statistics Comparing

Figures are in million dollars except otherwise stated.	Atlantic Refining	Cities Service Company	Gulf Oil	Ohio Oil	Phillips Petroleum	Pure Oil
CAPITALIZATION:						
Long-Term Debt (Stated Value)	$ 180.3	$ 460.1	$ 283.8	—	$ 302.2	$ 86.3
Preferred Stock (Stated Value)	$ 35.2	—	—	—	—	—
No. of Common Shares Outstanding (000)	9,010	10,729	32,390	13,126	34,353	8,602
Capitalization	$ 305.6	$ 567.4	$1,093.5	$ 367.1	$ 474.0	$ 129.3
Total Surplus	$ 373.4	$ 528.2	$1,631.5	$ 268.4	$ 834.4	$ 336.4
INCOME ACCOUNT: Fiscal Year Ended	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Net Sales	$ 538.1	$1,015.3	$2,769.3	$ 271.4	$1,066.5	$ 473.3
Depletion, Amortization, etc.	—	$ 82.6[1]	$ 261.1[1]	$ 24.9[1]	$ 22.6	—
Depreciation, Retirements, etc.	46.3[1]	—	—	—	$ 81.4	$ 29.9[1]
Intangibles, Devel. Costs, Losses on Leases, Drilling Costs, etc.	—	—	—	$ 4.0	$ 23.6	—
Total Income Taxes	—	—	$ 209.1	$ 3.4	$ 21.0	$ .4
Interest Charges	$ 7.5	$ 17.7	$ 9.9	—	$ 13.5	$ 3.5
Balance for Common	$ 32.5	$ 38.3	$ 329.5	$ 32.1	$ 84.2	$ 28.8
Operating Margin	4.6%	4.4%	19.0%	12.0%	10.5%	5.2%
Net Profit Margin	6.2%	3.7%	11.9%	11.7%	7.9%	6.0%
Percent Earned on Invested Capital	6.7%	6.0%	13.4%	8.7%	8.3%	7.5%
Earned Per Common Share	$ 3.61	$ 4.18	$ 10.17	$ 2.45	$ 2.45	$ 3.3
BALANCE SHEET: Fiscal Year Ended	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Cash and Marketable Securities	$ 32.0	$ 187.9	$ 325.6	$ 48.5	$ 92.5	$ 54.8
Inventories, Net	$ 71.5	$ 122.1	$ 236.5	$ 33.4	$ 113.9	$ 50.3
Receivables, Net	$ 61.4	$ 93.8	$ 416.5	$ 29.4	$ 131.8	$ 53.9
Current Assets	$ 165.1	$ 437.1	$1,049.6	$ 111.4	$ 368.3	$ 175.3
Current Liabilities	$ 81.4	$ 126.8	$ 484.1	$ 33.0	$ 151.1	$ 56.0
Working Capital	$ 83.7	$ 310.3	$ 565.5	$ 78.4	$ 217.2	$ 119.3
Current Ratio (C. A. to C. L.)	2.0	3.4	2.1	3.3	2.4	3.1
Fixed Assets, Net	$ 573.8	$ 779.7	$2,057.1	$ 274.4	$1,097.4	$ 341.9
Total Assets	$ 770.8	$1,286.3	$3,430.0	$ 400.2	$1,515.5	$ 533.2
Cash Assets Per Share	$ 3.55	$ 17.52	$ 10.05	$ 3.70	$ 2.68	$ 6.37
Inventories as Percent of Sales	13.2%	12.0%	8.5%	12.3%	10.7%	10.6%
Inventories as % of Current Assets	43.3%	27.9%	22.5%	29.9%	30.9%	28.7%

[1]—Includes deprec., depletion, amort., & retirement. [2]—Includes subsidiaries. *—Statistical data on other leading companies

pricing, the world's other two major oil-producing areas, Venezuela and the Middle East, followed suit early this year, reducing their prices by 15-18 cents a barrel. (Of course, U. S. price reductions were only one factor in the foreign crude oil cuts. Increasing competition from Soviet oil exports, exceptionally large coal stocks in Western Europe and a decline in U. S. oil imports, as a result of the import restrictions in force since the fall of 1957, have also played their part in driving foreign oil prices down.)

Prices for finished products in the U. S. were affected even more than crude oil prices by the temporary retrenchment in demand. By the summer of 1958 they had lost all the gains made during the shortage caused by the Suez crisis.

In the period of generally reduced earnings and uncertainty regarding immediate future profits, the prices of most oil equities were naturally affected. After having climbed steadily from late 1955 to early June 1957, oil stocks declined rapidly and continuously for the remainder of that year. Since then, they have risen again somewhat. But, in general, oil equities have failed to keep pace with the rise in the market.

Outlook Favorable for Remainder of Year

However, the worst is probably over, as far as the oil industry in general is concerned, though some companies as we shall point out later, may continue to be in for a rough time. The most obvious improvement has taken place in oil product prices, which had declined from their February 1957 peak until last summer. Since then they have increased quite steadily. They are not yet back to the February 1957 level but they have risen by over 40 percent in the Mid-Continent area and by some 10 percent on the Gulf Coast. There is good reason to assume that this trend will continue.

Of course, heating oils are about to go into their normal seasonal price decline, now that the winter is coming to an end. However, prices had been kept fairly high until the end of March by the unusually cold weather throughout the Eastern United States. This caused a 13-14 percent increase in demand for distillate heating oil during the first quarter of 1959, compared to the same period last year. The demand was met not only by higher output but also by reducing stocks. Thus, the position of this product is quite favorable at this moment.

However gasoline is a more important product, as it accounts for nearly half of the total volume of refinery output in the United States and much more in value. Gasoline is the chief money maker in the refining and marketing sector of the industry. The outlook for this product is on the favorable side. True, inventories, though lower than last year, are still somewhat on the high side. But since gasoline demand is expected to gain by at least 5-6 percent this year (an expectation which was fully borne out in the first quarter), there is every reason to expect a price increase for this product in the near future. In fact, some companies have already taken this step in certain areas, including Standard Oil of In-

Position of Leading Oil Companies *

Richfield Oil	Shell Oil	Sinclair Oil	Skelly Oil	Standard Oil of Calif.	Standard Oil of Ohio	Sun Oil	Texas Company	Union Oil
$ 143.5	$ 143.3	$ 353.6	$ 3.9	$ 179.4[2]	$ 66.0	$ 38.6	$ 348.0	$ 184.0
—	—	—	—	—	$ 19.8	—	—	—
4,020	30,286	15,319	5,746	63.224	4,832	11,739	58,388	7,871
$ 219.6	$ 370.5	$ 431.4	$ 147.5	$ 574.6	$ 134.1	$ 506,3	$1,848.4	$ 380.8
$ 154.7	$1,012.6	$ 888.3	$ 198.8	$1,595.0	$ 200.2	$ 85.9	$ 827.7	$ 229.1
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$ 258.2	$1,665.9	$1,190.3	$ 253.8	$1,559.1	$ 358.0	$ 721.7	$2,327.9	$ 408.0
$ 26.4[1]	$ 18.5	$ 89.4[1]	—	—	$ 6.2	—	—	—
—	$ 109.5	—	$ 35.7[1]	$ 145.8[1]	$ 17.8	$ 56.4[1]	$ 233.0[1]	$ 44.0[1]
$ 10.6	$ 78.5	$ 26.0	—	—	$ 5.7	$ 30.0	$ 34.1	$ 16.6
$ 4.1	$ 10.5	$ 18.0	$ 5.1	$ 39.6	$ 7.4	—	$ 41.3	$ .3
$ 4.9	$ 4.8	$ 13.6	$ .1	$ 4.1	$ 2.5	$ 2.0	$ 12.0	$ 5.9
$ 20.1	$ 116.5	$ 49.4	$ 27.6	$ 257.7	$ 24.0	$ 32.0	$ 310.1	$ 25.0
10.5%	7.4%	5.9%	12.2%	11.0%	7.6%	3.5%	9.4%	6.7%
7.7%	7.0%	4.2%	10.8%	16.5%	6.7%	4.4%	13.4%	6.1%
8.7%	9.4%	5.1%	8.0%	12.9%	8.9%	5.7%	13.6%	5.8%
$ 5.00	$ 3.85	$ 3.23	$ 4.82	$ 4.08	$ 4.82	$ 2.73	$ 5.31	$ 2.33
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$ 72.6	$ 148.8	$ 182.6	$ 30.5	$ 192.3	$ 25.9	$ 58.5	$ 393.9	$ 95.2
$ 36.4	$ 187.4	$ 116.6	$ 20.2	$ 166.1	$ 43.5	$ 62.4	$ 264.5	$ 54.0
$ 42.6	$ 192.8	$ 120.5	$ 28.3	$ 250.2	$ 50.9	$ 65.0	$ 321.2	$ 73.3
$ 161.1	$ 564.8	$ 445.3	$ 88.1	$ 685.8	$ 128.0	$ 211.0	$1,029.4	$ 234.2
$ 36.3	$ 265.1	$ 149.3	$ 31.0	$ 259.4	$ 65.1	$ 77.6	$ 401.9	$ 66.9
$ 124.8	$ 299.7	$ 296.0	$ 57.1	$ 426.4	$ 62.9	$ 133.4	$ 627.5	$ 167.3
4.1	2.1	3.0	2.8	2.6	1.9	2.7	2.5	3.5
$ 230.8	$ 981.8	$ 927.0	$ 285.7	$1,629.3	$ 261.0	$ 447.8	$1,834.4	$ 431.6
$ 410.7	$1,648.2	$1,500.0	$ 380.0	$2,451.0	$ 399.5	$ 666.9	$3,111.5	$ 684.5
$ 18.03	$ 4.90	$ 11.92	$ 5.31	3.04	5.36	4.90	6.74	$ 12.09
14.1%	11.2%	9.8%	8.0%	10.6%	12.1%	8.6%	11.3%	13.2%
22.6%	33.2%	26.2%	23.0%	24.2%	34.0%	29.6%	25.7%	23.0%

have not been included because recent balance sheet figures have not been released yet.

diana and the New England marketing organization of Socony Mobil. How much the price will go up is, of course, strictly a matter of conjecture. The main determinant wil be inventories. If they are relatively low by early April an increase of a penny a gallon at the refinery level is not an unreasonable expectation. This would add nearly $500 million to the gross income of the refining industry for the remainder of the year. Since refineries already increased their income during the first quarter of 1959, as a result of the price rise in heating oil, their gross income this year will most likely be substantially above last year. Whether their net earnings will also be higher depends to a considerable degree on how they will be affected by the new *mandatory oil imports restrictions* which are discussed below.

The Effect of the New Oil Import Restrictions

Briefly, these restrictions are aimed at holding imports of crude oil, finished and unfinished products down to about 11 percent of domestic oil demand for the current year. A complex formula has been devised for dividing the total crude oil and unfinished oil quotas (about 830,000 barrels daily east of the Rocky Mountains and 210,000 barrels daily on the West Coast) among all U. S. refiners. But the net result is to allocate about 15 percent of their refinery production to some 100 newcomers—refiners who never before imported crude oil. The balance is divided among historic crude oil importers, most of whom have been required to reduce their imports in order to make room for the newcomers. Additional reductions had to be made by the established importers because the total amount of foreign crude oil permitted under the government's current quota is somewhat below last year's import level.

Since the f.o.b. price of imported crude oil at the U. S. East Coast is at least 60 to 90 cents below that of domestic oil, given current tanker rates, companies whose import schedules have been cut back by the government, will undoubtedly be hurt by the restrictions, while companies with increased import quotas or newcomers, will stand to gain.

The attached table, which gives both the new and the old import quotas, shows that most of the large integrated oil companies, which have traditionally imported foreign crude oil for their east coast refineries, have suffered substantial cutbacks. These companies include Atlantic Refining, Cities Service, Gulf Oil, Sinclair, Socony Mobil, Standard (Cal.), Standard (Ind.), Standard (N.J.), Sun Oil, Texaco and Tidewater. The chief beneficiaries of the new plan are Continental Oil, Phillips, Pure Oil, Shell, Standard (Ohio) and Sunray Mid-Continent, all of which received increases in their import quotas. Among newcomers the most important ones are Ashland Oil (which received the largest quota of any new importer), American Petrofina, Anderson-Prichard, Cosden Petroleum, Delhi-Taylor, Kerr-McGee, Leonard Refineries, Lion Oil, Pontiac Refining, Shamrock Oil, Skelly Oil and Suntide Oil.

The main purpose of the restrictions was to increase the sale of domestic *(Please turn to page 108)*

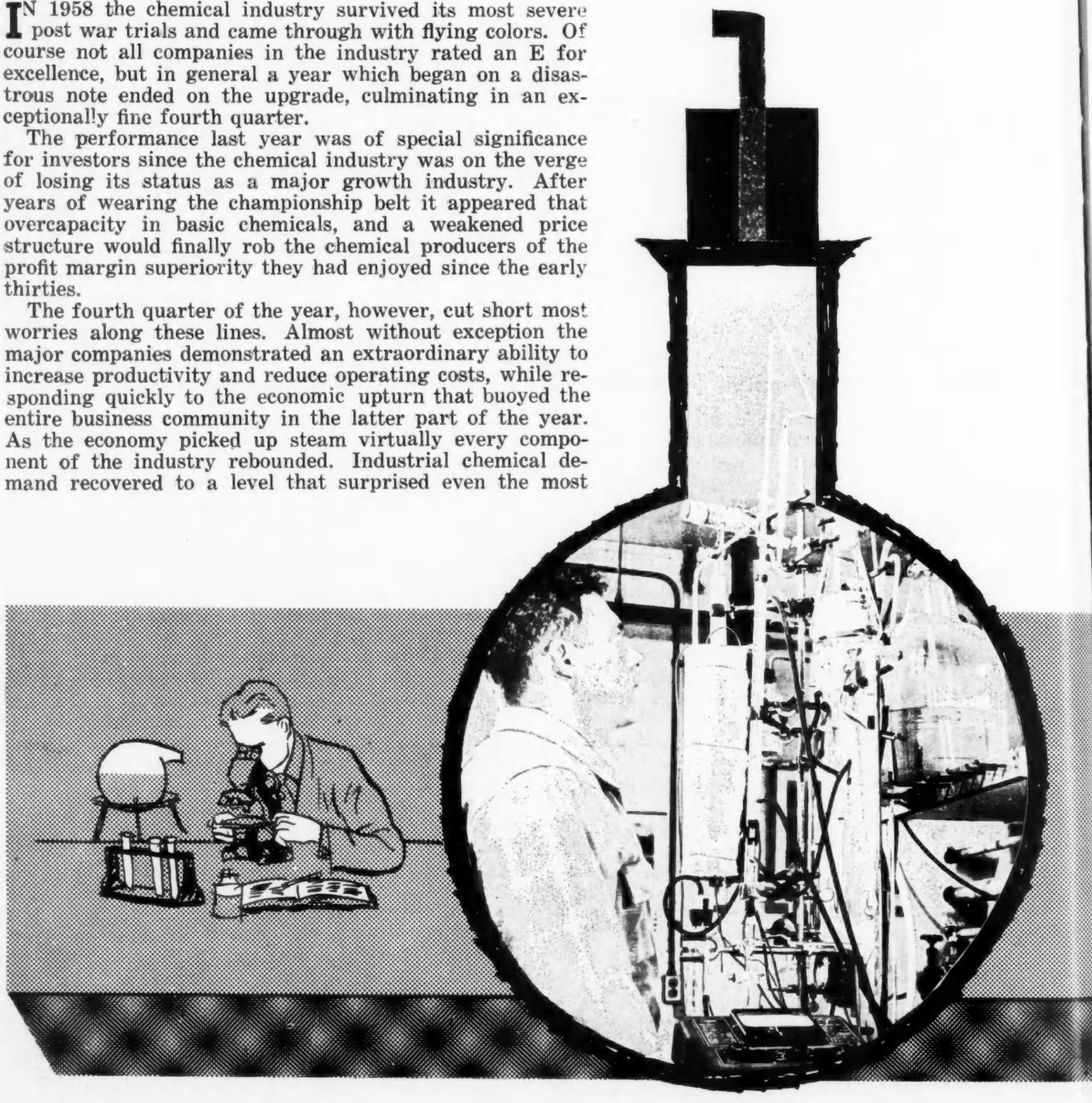
What's ahead for THE CHEMICALS IN 1959?

By Jonathan Edwards

IN 1958 the chemical industry survived its most severe post war trials and came through with flying colors. Of course not all companies in the industry rated an E for excellence, but in general a year which began on a disastrous note ended on the upgrade, culminating in an exceptionally fine fourth quarter.

The performance last year was of special significance for investors since the chemical industry was on the verge of losing its status as a major growth industry. After years of wearing the championship belt it appeared that overcapacity in basic chemicals, and a weakened price structure would finally rob the chemical producers of the profit margin superiority they had enjoyed since the early thirties.

The fourth quarter of the year, however, cut short most worries along these lines. Almost without exception the major companies demonstrated an extraordinary ability to increase productivity and reduce operating costs, while responding quickly to the economic upturn that buoyed the entire business community in the latter part of the year. As the economy picked up steam virtually every component of the industry rebounded. Industrial chemical demand recovered to a level that surprised even the most



Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share 1956	Earnings Per Share 1957	Earnings Per Share 1958	Dividends Per Share 1956	Dividends Per Share 1957	Dividends Per Share 1958	Recent Price	Div. Yield*	Price Range 1958-1959
Air Reduction	$4.19	$4.35	$3.47	$2.37½	$2.50	$2.50	89	2.8%	91½- 49¼
Allied Chemical	4.74	4.37	3.41	3.00	3.00	3.00	104	2.8	107¾- 72½
American Agricultural Chemical	6.58	7.41	7.78	4.50	4.50	4.50	108	4.1	104¼- 64¼
American Cyanamid	2.11	2.42	2.07	1.37	1.60	1.60	55	2.9	56⅜- 39½
Atlas Powder	5.61	5.63	3.80	2.40	2.40	2.40	78	3.0	82¼- 57
Columbian Carbon	3.00	2.64	2.46	2.40	2.40	2.40	51	4.7	51½- 31¼
Commercial Solvents	1.07	.53	.52	1.00	.92½	.20	1.6	1.2	18¼- 10⅛
Diamond Alkali	3.83	2.53	2.32	1.50[1]	1.80[1]	1.80	53	3.2	54¾- 30⅛
Dow Chemical	2.52	2.15	1.78	1.10[1]	1.20[1]	1.20	84	1.4	87½- 52⅛
Du Pont	8.19	8.48	7.24	6.50	6.50	6.00	222	2.7	240 -172⅛
Food Machinery & Chemical	2.36	2.30	2.38	1.00	1.00	1.20	46	2.6	46⅝- 35¼
Freeport Sulphur	5.35	5.19	5.22[2]	3.00	3.00	3.60[2]	107	3.3	108 - 67¼
Hercules Powder	2.10	2.12	2.04	1.10	1.10	1.25	60	2.0	64½- 38¼
Heyden Newport Chemical	1.07	1.08	.62	.80	.80	.40	16	2.5	18⅞- 11⅛
Hooker Chemical	1.75	1.50	1.43	1.00	1.00	1.00	40	2.5	43 - 23½
International Minerals & Chem.	2.14	3.12	2.09	1.60	1.60	1.60	29	5.5	33⅞- 26⅜
Koppers Co.	5.01	3.86	2.62	2.50	2.50	1.60	47	3.4	51½- 34½
Monsanto Chemical	1.80	1.68	1.55	1.00[1]	1.00[1]	1.00	46	2.1	47⅜- 29⅞
Nopco Chemical	3.15	3.25	3.48[3]	2.05	2.00	2.00[3]	77	2.5	79¾- 31¼
Olin Mathieson Chemical	3.38	2.67	.70	2.00	2.00	1.00	45	2.2	49⅝- 31½
Pennsalt Chemicals	2.92	2.40	2.86	1.85	1.85	1.85	83	2.2	90 - 49½
Pittsburgh Coke & Chemical	3.03	1.98	.75	1.25[1]	1.25[1]	1.00[1]	23	4.3	24⅝- 16⅛
Reichold Chemicals	.75[6]	1.13[6]	1.09[6]	—	.32½[1]	.60[6]	38	1.5	34¾- 15¾
Rohm & Haas	15.21	14.32	13.05	2.40[1]	2.00[1]	2.00[1]	530	.4	534¼-312
Spencer Chemical	4.73	4.05	3.09	2.40	2.40	2.40	66	3.6	69½- 49½
Stauffer Chemical	3.97	3.71	4.02[4]	2.15[1]	1.80[1]	1.80[4]	121	1.4	128 - 59
Tennessee Corp.	5.11	4.10	3.48	2.37[1]	2.45[1]	2.45	69	3.5	69 - 35⅝
Texas Gulf Sulphur	2.81	1.75	1.34	2.00	1.75	1.00	24	4.1	25⅞- 15
Union Carbide	4.86	4.45	4.15	3.15	3.60	3.60	129	2.7	133 - 83⅞
United Carbon	5.04	5.22	4.54	2.00	2.00	2.00[1]	77	2.5	81 - 45
Victor Chemical	2.02	2.03	1.92	1.40	1.40	1.00	38	2.6	83⅛- 77½
Virginia-Carolina Chemical	.20	[d].65	[d]1.20	—	—	—	30	—	28⅛- 13

d—Deficit.
*—Current annual dividend based on latest rate.

1—Plus stock.
2—3 for 1 stock split subject to stockholders approval 4/27/59
3—Stockholders vote 3/26/59 on 2 for 1 stock split.

4—Stockholders vote 4/15/59 on 2 for 1 stock split.
5—Dividend omitted 11/17/58.
6—Adjusted for 2 for 1 stock split 3/23/1959.

Air Reduction: After Union Carbide, the major producer of industrial gases. Rebound to record earnings expected. **B1**

Allied Chemical: Prime producer of basic chemicals should rebound with industrial production. **A1**

American Agricultural Chemical: Company continued good earnings record into fiscal 1958. Near term outlook is satisfactory. **B1**

American Cyanamid: New pharmaceuticals, better demand for plastics and synthetic textiles point to some earning recovery in 1959. **A2**

Atlas Powder: A major producer of industrial explosives, earnings should recover some in 1959, but remain below previous highs. **B2**

Columbian Carbon: Oil and gas operations may hold back earnings somewhat, but a good recovery still looms. **B1**

Commercial Solvents: Several years of depressed earnings may give way to mild recovery. Results will still be unexciting. **C2**

Diamond Alkali: Basic chemicals retard startling growth, but better demand should widen margins. **B2**

Dow Chemical: Expanded capacity will aid earnings. Has outstanding growth record. **A2**

du Pont: Largest chemical company with broadly diversified interests. Government suit to force divestment of holdings of General Motors add some uncertainly to the situation. **A2**

Food Machinery & Chemical: Top grade company, well run, with good near term and long term prospects. **A1**

Freeport Sulphur: Sale of oil operations at right time indicates excellent managerial timing. Good 1958 to be followed by a better 1959. **B1**

Hercules Powder: Slow start in missile fuels and plastics will retard growth in 1959. Modest improvement expected. **A2**

Heyden-Newport: With merger difficulties completely behind it, company should fare better in 1959. **C1**

Hooker Chemical: New diversification led to earnings gain in 1958. A further advance expected for this well run company. **B1**

International Minerals & Chemical: Leading fertilizer producer. This field is cyclical but prospects appear favorable over coming months. **B2**

Koppers Co.: Slow demand in several important lines will retard earnings recovery. **B2**

Monsanto Chemical: Unless oil operations drag earnings down, a good profit rebound is in prospect. **B1**

Nopco Chemical: A well entrenched position, despite its small size assures some recovery in the year ahead. **B1**

Olin Mathieson: Well diversified, company may be on threshold of real recovery. Despite slow aluminum demand, earnings should rise in the year ahead. **B1**

Pennsalt Chemicals: Specialized producer; realignment of operations should lead to better operating results. **B2**

Pittsburgh Coke & Chemical: After a bad 1958, upsurge in metals demand should aid company. Better results expected. **B1-**

Reichold Chemical: Newly listed, the stock has had a sensational rise. Better earnings results expected but stock should be treated with caution. **C1**

Rohm & Haas: High quality. 1959 should witness a resumption of high earnings. Increased capacity a helpful factor. **A1**

Spencer Chemical: Improved plastics demand may be offset by weakness in ammonia prices. Slight improvement ahead. **B2**

Stauffer Chemical. Excellent operating results combined with romance of boron have carried stock too high. **B1**

Tennessee Corp.: Recovery in copper prices and good market for fertilizer chemical should raise earnings. **C1**

Texas Gulf Sulphur: Foreign competition continues keen but better near-term industrial demand a helpful factor. **B2**

Union Carbide: Second largest chemical company. Better demand for plastics and petrochemicals should aid earnings this year. **A1**

United Carbon: Improvement in synthetic rubber demand should offset mild setback in oil and gas. **B2**

Victor Chemical Works: High demand for detergents and carbonated drinks should lead to better earnings. **B1**

Virginia-Carolina Chemical: Company is finally recovering from severe operating and financial difficulties. Earnings should be highest in at least four years. **C1**

RATINGS:
A—Best Grade.
B—Good Grade.
C—Speculative.
D—Unattractive.

1—Improving earning trend.
2—Sustained earning trend.
3—Lower earning trend.

Comprehensive Statistics Comparing th

Figures are in million dollars of shares except where otherwise stated	Air Reduction	Allied Chemical	American Cyanamid	Atlas Powder	Columbian Carbon	Commercial Solvents	Diamond Alkali	Du Pont
CAPITALIZATION:								
Long Term Debt (Stated Value)	$108.5	$390.8	$306.1	$ 21.1	$ 39.4	$ 32.5	$ 55.3	$2,021.0
Preferred Stocks (Stated Value)	$ 49.2	$185.0	$ 93.0	$ 6.0	$ 9.3	$ 20.3	$ 30.3	—
No. of Common Shares Outstanding (000	$ 1.1	—	$ .2	—	—	—	—	$ 238.8
Capitalization	3,858	9,929	21,202	756	1,612	2,741	2,796	45,731
Total Surplus	$ 69.4	$246.6	$186.9	$ 23.5	$ 31.2	$ 27.0	$ 58.4	$ 467.5
INCOME ACCOUNT:								
Fiscal Year Ended	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Net Sales	$175.3	$635.5	$525.0	$ 65.5	$ 65.6	$ 64.7	$114.1	$1,858.9
Deprec., Depletion, Amort., etc.	$ 9.7	$ 46.1	$ 37.0	$ 3.0	$ 8.5	$ 3.7	$ 9.7	$ 130.7
Income Taxes	$ 13.3	$ 24.2	$ 38.5	$ 3.0	$ 2.7	$ 2.2	$ 5.7	$ 189.0
Interest Charges, etc.	$ 1.9	$ 6.9	$ 3.5	$ .3	$ .5	$ .8	$ 1.3	—
Balance for Common	$ 13.3	$ 34.2	$ 43.8	$ 2.8	$ 3.9	$ 1.4	$ 6.4	$ 331.2
Operating Margin	15.9%	11.2%	13.8%	9.4%	10.1%	7.4%	11.9%	20.8%
Net Profit Margin	7.5%	5.4%	8.3%	4.3%	6.0%	2.2%	5.6%	18.3%
Percent Earned on Invested Capital	10.4%	7.5%	10.9%	7.4%	6.4%	3.6%	7.7%	13.7%
Earned Per Common Share	$ 3.47	$ 3.45	$ 2.07	$ 3.80	$ 2.46	$ .52	$ 2.32	$ 7.24
BALANCE SHEET:								
Fiscal Year Ended	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
Cash and Marketable Securities	$ 17.1	$ 63.6	$ 67.7	$ 5.0	$ 8.1	$ 9.3	$ 6.0	$ 304.2
Inventories, Net	$ 28.8	$ 88.4	$ 87.2	$ 9.2	$ 11.9	$ 13.2	$ 19.3	$ 244.7
Receivables, Net	$ 23.2	$ 70.3	$ 64.6	$ 10.0	$ 9.0	$ 10.2	$ 14.2	$ 182.8
Current Assets	$ 70.8	$222.4	$219.5	$ 24.5	$ 29.1	$ 32.7	$ 40.5	$ 744.7
Current Liabilities	$ 23.0	$ 64.4	$ 88.9	$ 7.3	$ 10.2	$ 9.6	$ 20.1	$ 129.0
Working Capital	$ 47.8	$158.0	$130.6	$ 17.2	$ 18.9	$ 23.1	$ 20.4	$ 615.7
Current Ratio (C.A. to C.L.)	3.0	3.4	2.4	3.3	2.8	3.4	2.0	5.7
Fixed Assets, Net	$128.1	$487.1	$323.9	$ 27.1	$ 47.4	$ 36.7	$ 88.2	$1,904.0
Total Assets	$204.2	$748.3	$584.3	$ 52.4	$ 85.9	$ 73.9	$133.9	$3,753.9
Cash Assets Per Share	$ 4.45	$ 6.41	$ 3.19	$ 6.82	$ 5.03	$ 3.41	$ 2.15	$ 6.65
Inventories as Percent of Sales	16.3%	14.0%	16.6%	14.0%	18.2%	20.4%	16.8%	13.1%
Inventories as % of Current Assets	42.1%	39.9%	40.0%	37.9%	41.1%	40.4%	47.6%	32.8%

1—Including domestic and foreign subaid, and 50% owned Associated cos.

*Statistical data on such leading ompanies as Dow Chemical Int'l

optimistic members of the industry; petrochemical producers benefited from the sudden revival in demand for synthetic fibers; and the plastic segment of the industry continued its enormous growth without so much as an acknowledging nod toward the recession.

Plastics Forge Ahead

The stabilizing influence of plastic demand is illustrated dramatically by the high percentage of sales this relatively new sector of the industry represents for several major companies in the field. Such companies as Union Carbide and Rohm & Haas derive 20 percent or more of their revenues from plastics, while other synthetics such as textile fibers account for major proportions of earnings or revenues for Monsanto (through its jointly owned Chemstrand Corp.) and the mammoth du Pont.

In all, plastic production rose over 5 percent last year while chemical output generally was declining one percent. In the near future, however, the plastics picture may change radically. Production will undoubtedly continue to rise, but the ugly specter of overcapacity is already rearing its head. Polyethelene output is soaring, but new capacity coming on stream appears to be substantially larger than existing demand. Much the same can also be said for the vinyl resins and phenolics, indicating that troubles still abound for the chemical companies despite their excellent recovery last year.

Nevertheless, it appears that satisfactory operating rates for the industry's major companies will cover these problems in the year ahead.

One of the principal reasons for this is the strides made during the recession in cutting down operating costs and raising profit margins. In effect, the recession provided the stimulus for instituting the economies needed to make investments in new plants and equipment truly worth while. For the past three or four years the industry poured millions into modernized equipment, but the inevitable inefficiencies of full capacity production left many holes to be plugged. When the time came for trimming fat, however most of the companies did so with extraordinary results.

Major Companies Fare Best

Not all companies participated in the late 1958 upswing, however. But the major companies proved their mettle.

The most dramatic performance was turned in by **Union Carbide** which began the year so poorly that its dividend was actually in jeopardy for the first six months of 1958. By year end, however, earnings had recovered enough to offset most of the earlier decline, bringing per share net to $4.15 from $4.45 in 1957.

More significant than the overall figures however was the quarter-by-quarter record. Sales for the year were 7 percent below 1957, but a late surge carried fourth quarter sales to $367 million from $349 million in the same quarter a year earlier. Per

Position of Leading Chemical Companies*

Food Machinery & Chem.	Hercules Powder	Hooker Chemical	Monsanto Chemical 1	Olin Mathieson Chemical	Pennsalt Chemicals	Rohm & Haas	Stauffer Chemical	Texas Gulf Sulphur	Union Carbide Corp.	Victor Chemical Works
$ 64.2	—	$ 40.5	$245.9	$337.8	$ 17.2	$ 3.2	$ 19.7	—	$ 455.2	$ 8.8
$ 7.9	$ 9.6	$ 5.0	$ 10.2	—	—	$ 6.1	—	—	—	$ 7.2
6,793	8,377	7,304	22,256	13,292	1,286	1,095	3,620	10,020	30,093	1,685
$142.2	$ 27.1	$ 82.0	$300.6	$454.3	$ 30.0	$ 31.2	$ 55.9	$ 26.2	$ 694.4	$ 24.4
$ 90.1	$110.8	$ 46.7	$404.0	$285.6	$ 43.6	$ 93.9	$ 78.6	$ 84.3	$ 622.2	$ 19.0
12/31/58	12/31/58	11/30/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$323.1	$245.4	$125.5	$714.4	$601.4	$ 78.5	$176.5	$159.3	$ 57.0	$1,296.5	$ 52.5
$ 12.4	$ 14.5	$ 8.1	$ 60.6	$ 32.5	$ 6.5	$ 13.9	$ 12.4	$ 3.3	$ 124.4	$ 3.3
$ 14.2	$ 19.0	$ 8.5	$ 39.1	$ 3.5	$ 3.1	$ 15.8	$ 13.2	$ 3.5	$ 117.0	$ 3.0
$ 2.2	—	$ 1.8	$ 14.6	$ 14.3	$ .6	$ .2	$ .7	—	$ 14.2	$ .2
$ 16.2	$ 17.0	$ 10.4	$ 42.9	$ 9.3	$ 3.6	$ 14.2	$ 14.5	$ 13.3	$ 124.9	$ 3.2
9.3%	14.5%	16.9%	12.8%	6.3%	10.5%	16.7%	16.5%	26.3%	18.2%	12.5%
5.2%	7.1%	8.4%	6.0%	1.5%	4.6%	8.2%	9.1%	23.1%	9.6%	6.6%
9.1%	12.7%	12.0%	9.3%	2.6%	6.5%	11.9%	12.6%	12.2%	15.0%	10.0%
$ 2.39	$ 2.04	$ 1.43	$ 1.93	$ .70	$ 2.86	$ 13.05	$ 4.02	$ 1.34	$ 4.15	$ 1.92
12/31/58	12/31/58	11/30/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$ 25.1	$ 36.0	$ 14.5	$ 75.8	$ 76.2	$ 6.1	$ 11.0	$ 23.1	$ 20.6	$ 164.0	$ 7.0
$ 71.2	$ 37.7	$ 21.0	$117.7	$149.6	$ 14.2	$ 25.8	$ 23.4	$ 37.5	$ 308.6	$ 8.5
$ 46.3	$ 22.9	$ 15.5	$106.5	$ 91.4	$ 9.3	$ 20.7	$ 15.5	$ 18.7	$ 180.7	$ 5.3
$149.7	$ 96.7	$ 52.1	$300.0	$317.3	$ 29.7	$ 59.3	$ 62.8	$ 76.9	$ 653.3	$ 21.2
$ 42.6	$ 30.1	$ 18.0	$114.9	$ 75.8	$ 9.1	$ 22.1	$ 10.9	$ 6.4	$ 213.8	$ 6.0
$107.1	$ 66.6	$ 34.1	$185.1	$241.5	$ 20.6	$ 37.2	$ 51.9	$ 70.5	$ 439.5	$ 15.2
3.5	3.2	2.8	2.6	4.2	3.2	2.7	5.7	12.0	3.0	3.5
$109.4	$ 87.8	$ 96.7	$510.8	$383.7	$ 46.9	$ 84.3	$ 67.2	$ 36.5	$ 827.8	$ 27.9
$282.4	$191.1	$151.0	$857.6	$786.8	$ 84.3	$147.2	$145.5	$120.1	$1,530.4	$ 49.2
$ 3.70	$ 4.30	$ 1.98	$ 3.45	$ 5.73	$ 4.75	$ 10.00	$ 6.40	$ 2.06	$ 5.45	$ 4.21
22.3%	15.3%	16.7%	16.4%	24.8%	18.1%	8.2%	14.7%	65.7%	23.8%	16.2%
47.5%	38.9%	40.3%	39.2%	47.4%	47.9%	43.5%	37.4%	48.7%	47.2%	40.1%

Minerals & Chem., and Spencer Chemical, have not been included because recent balance sheet figures have not been released yet.

share net climbed in each of the last three periods soaring from a five year quarterly low of 76¢ per share in the first three months to $1.34 in the last period, a figure which failed to reach record levels by one penny.

In the year ahead, the recovery can be expected to continue, at least through the first half. Steel operations, which play an important part in Carbide's affairs are still on the upgrade, while a year ago they were scraping the bottom of post war operating rates. As a result, the sharply higher sales and earnings for the company's alloys and electrodes (these declined precipitously a year ago) should lead to a startling first quarter and probably first half, earnings recovery. At the same time the output of industrial gases is increasing in line with the betterment of overall production, and plastics and basic chemicals remain strong.

Predicting full year results at this juncture is almost impossible in view of the impending steel strike. Nevertheless it is safe to assume that the first half will smash all previous records. After that the steel unions and the vagaries of arbitration will have more of an effect than basic economic forces. Carbide, however, is in excellent financial shape, and managed to improve its operations so substantially last year, that profit margins were close to record levels. Under the circumstances it will take a truly disastrous steel strike — or a major recession to keep the company from enjoying an excellent year.

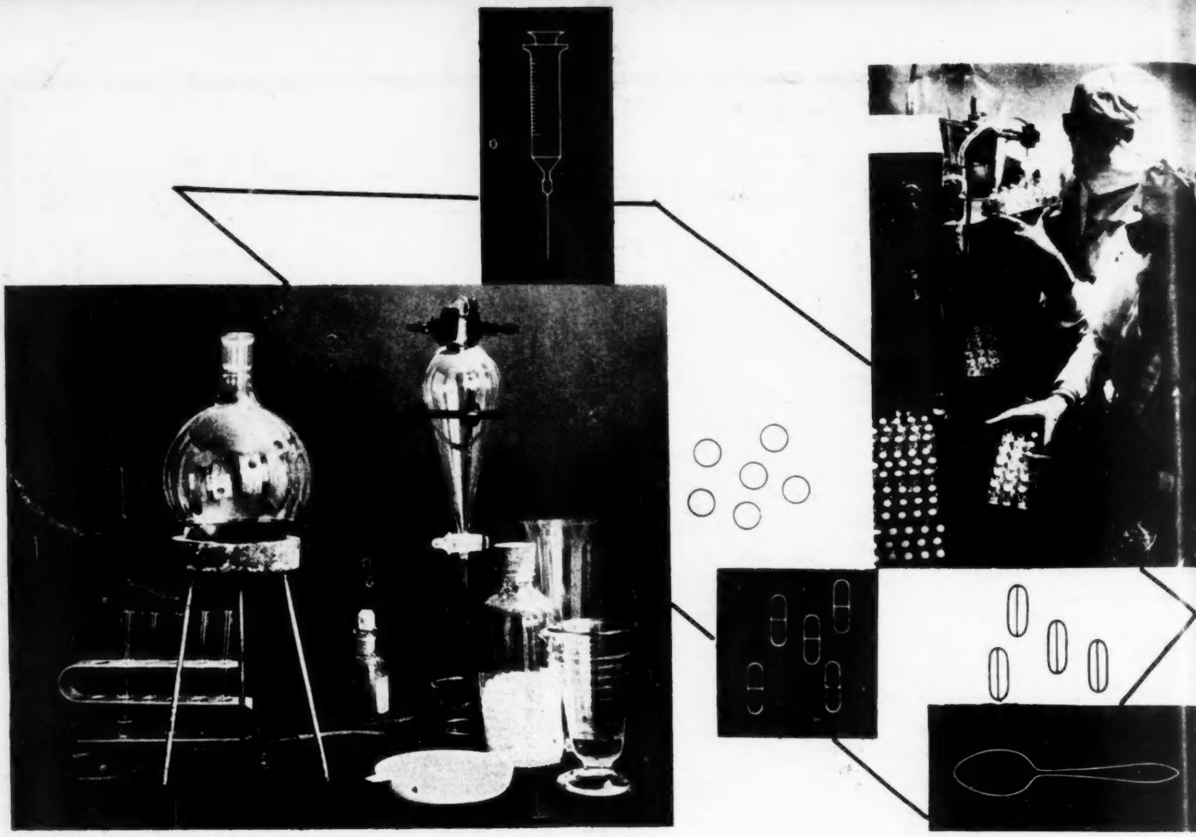
du Pont Also Stands Out

The fourth quarter of last year spelled a big difference for **du Pont**, also. In the early part of 1958 the general decline in industrial activity hit du Pont hard. First quarter sales, in fact, slid to $422 million from $509 million a year earlier. By the fourth quarter earnings not only topped the recession-hit fourth quarter of 1957, but topped all previous quarters in the company's history. (Actually more money was earned in the fourth quarter of 1955, but this was the result of the extra dividend received by du Pont from General Motors.)

The $2.42 per share earned in the last three months of the year carried full year net to $7.24 per share compared with $8.48 a year earlier, but the pattern of sales indicated expanding earnings in the early months of 1959. Nylon operations were running strong, cellophane production was once more moving ahead with encouragement of higher prices, and sales of paints to the auto industry are bound to show up better than during the sharply depressed level of a year ago.

Of course a big auto year would be welcome to du Pont, but the strength of other lines indicates a full earnings recovery even if auto output fails to match earlier expectations. Moreover, like Union Carbide and others, du Pont used the recession to tighten its organization and reduce costs considerably. The end result should be higher net.

(Please turn to page 119)



DRUG COMPANIES IN 1959
—Poised for new growth in the next decade?

By Warren Fredericks

SALES for the pharmaceutical industry in 1958 are estimated to have reached a record $2,252 million, nearly 5% ahead of 1957. This commendable performance was achieved during a recession year and was even more noteworthy in view of the comparison with the previous year's sales that benefited from an abnormal demand for both polio and Asian flu vaccines. Anticipated 1959 sales gains on the order of 10% for the industry are bolstered by an increasing population, research efforts that are expected to produce new products as well as improved forms of older products, and a continued expansion of foreign outlets.

Role of Research — Ethical Drugs

Faced with an unusually rapid rate of product obsolescence and keen competition, the ethical drug industry is believed to spend over $140 million annually for research. Outlays of most ethical drug companies range between 4% and 7% of sales, which is considerably higher than the average for manufacturing in general. Ethical drugs, sold only by prescription, accounted for approximately three-fourths of the pharmaceutical industry sales in 1958. Spending at the local pharmacy for prescription drugs has quintupled from $336 million in 1945 to $1.7 billion in 1957.

A large part of the industry's growth since World War II has been due to the introduction of drugs to combat infectious diseases. The earlier "wonder drugs", penicillin and streptomycin, were followed by the broad-spectrum types with a wider range of effectiveness. Antibiotic sales of an estimated $431 million in 1958 represented the largest ethical drug category.

Major technological break-throughs in recent years have included new steroid hormones, new antibiotics, tranquilizers, and polio vaccine. Introduced to the market only a short five years ago, mental health drugs (tranquilizers) have had a rapid growth, attaining a total market of $175 million in 1958. Sales of this group have temporarily leveled off, although further expansion of the mental health field is likely through new product development. Currently, experiments in the anti-depressant "psychic energizer" field are creating considerable interest.

Steroid hormones include the new corticosteroids for the treatment of arthritis, insulin for the treatment of diabetes, and thyroid drugs. Sales for this

Statistical Data on Leading Drug Companies

	Earnings Per Share 1956	Earnings Per Share 1957	Earnings Per Share 1958	Dividends Per Share 1956	Dividends Per Share 1957	Dividends Per Share 1958*	Recent Price	Div. Yield	Price Range 1958-1959
Abbott Laboratories	$2.80	$3.30	$3.32	$1.80	$1.80	$1.90	68	2.7%	71⅜- 43⅝
Allied Laboratories	3.61	4.89	2.64	1.10[1]	1.20[1]	1.20	55	2.1	58⅜- 35⅞
American Home Products	4.07	5.03	5.53	2.50	3.00	3.50	134	2.6	141½- 73
Bristol Myers	3.55	4.07	4.38	1.75	2.00	2.15	83	2.5	86 - 53⅛
Carter Products	1.74	2.18	2.65[2]	—	.35	.80	45	1.7	47¾- 19⅛
Johnson & Johnson	2.46	2.49	2.38	.66	.68	.80	56	1.4	57½- 34
Lehn & Fink	2.47	3.15	3.26	1.00	1.70	1.70	45	3.8	49¼- 24¾
McKesson & Robbins	5.63	5.29	5.30[2]	2.57½	2.75	2.80	69	4.0	70½- 52
Mead Johnson & Co.	2.40	2.85	2.60	1.00	1.10	1.20	69	1.7	73 - 43½
Merck & Co.	1.92	2.20	2.64	1.00	1.40	1.60	80	2.0	83⅜- 36¾
Norwich Pharmacal	1.80	2.08	2.29	.90	1.12½	1.40	60	2.3	59 - 31
Parke, Davis & Co.	1.18	1.89	1.89	.56	.66	1.00	39	2.5	45⅛- 33
Pfizer (Chas.) & Co.	3.36	4.23	4.43	1.75	2.25	2.40	113	2.1	118½- 49¾
Plough Inc.	1.05	1.66	1.90[2]	.45	.52½	.80	36	2.2	39½- 19¼
Rexall Drug	1.35	1.45	1.83	.50	.50	.50[1]	37	1.3	39⅝- 8⅛
Schering Corp.	3.41	3.80	3.05	.87½	1.20	1.25	59	2.1	61⅝- 32⅞
Smith Kline & French Lab.	3.73	4.24	4.33	2.00	2.20	2.60	126	2.0	117 - 58¾
Sterling Drug	2.14	2.38	2.45[2]	1.35	1.50	1.50	50	3.0	54 - 29⅝
Upjohn Co.	1.08	1.23	1.43	—	—	.64	42	1.5	48⅝- 40
Vick Chemical	3.51	3.90	5.01	1.35[1]	1.50[1]	1.60	112	1.4	122 - 45¼
Warner-Lambert Pharm. Co. [3]	4.50	5.43	5.64	1.70[1]	2.37[1]	3.00	95	3.1	99½- 56

*Current annual dividend based on latest rate.
[1]—Plus stock.
[2]—Estimated.
[3]—2 for 1 stock split 5/12/59 subject to stockholders approval.

Abbott Laboratories: Growth in sales and earnings in recent years has been moderate. Expanded research efforts may accelerate important new product development. Dividend well-maintained. **B2**

Allied Laboratories: Major veterinary drug producer with recently broadened position in human ethical drug field. Lower earnings last year reflected lessened demand for polio and flu vaccines. **B3**

American Home Products: Diversified producer of ethical and proprietary drugs. Also household products and food. Further emphasis on ethical products. Continuation of good growth record indicated. **A1**

Bristol Myers: Leading producer of proprietaries and toiletries. Expansion in ethical drugs aids earnings potential. Grove Laboratories, producer of Bromo Quinine cold tablets acquired last year. **B1**

Carter Products: Recent spectacular growth reflects success of tranquilizer, Miltown. Also smaller proprietary and toiletry business. Recent improvement in profit margins should continue. **B1**

Johnson & Johson: Leading producer of surgical dressings and related items. Acquisition of McNeil Laboratories provides substantial representation in ethical drug field. Longer term growth indicated. **B2**

Lehn & Fink: Operates in highly competitive cosmetic and toiletry field. Better-known products include Dorothy Gray preparations, Tussy cosmetics and Lysol. Further sales growth dependent on advertising. **B1**

McKesson & Robbins: Only wholesaler of drugs and drug store items on national scale. Also imports and wholesales liquors. Stable earnings trend. Good yield. **B2**

Mead Johnson: Nutritional and pharmaceutical products account for close to three-fourths of total sales. Also Pablum baby cereal and Bib fruit juices. Intermediate growth prospects good. **A1**

Merck & Co.: Producer of fine chemicals and pharmaceutical products. Large research program provided diuril, oral diuretic, and decadron, promising steroid hormone last year. Long term growth potentials. **A1**

Norwich Pharmacal: Primarily a proprietary drug producer. Increasing position in medical and veterinary fields. Testing nitrofuran drug effective against staph resistant infections. Good growth record. **B1**

Parke, Davis & Co.: Well-established position in ethical drug industry. Chloromycetin, a broad-spectrum antibiotic accounts for nearly one-third of sales. New vaccines further growth potentials. **A1**

Pfizer (Chas.) & Co.: Strong position in antibiotics. Also offers other ethical drugs. New products include Diabanese, an oral diabetic drug, and Niamid, a psychic energizer. Further growth indicated. **A1**

Plough, Inc.: Medium-sized producer of proprietary drugs, medicines, cosmetics and household products. May enter ethical drug field. Moderate growth. **B1**

Rexall Drug: Makes, wholesales and retails drugs and sundry products. Riker Laboratories manufactures ethical drugs. Also produces plastic items. **B1**

Schering Corp.: Spectacular growth in arthritic drugs halted last year by introduction of competitive products. Has introduced new steroid, Deronil. Large research program. **B2**

Smith, Kline & French Laboratories: Leading ethical drug specialty manufacturer. Tranquilizers have accounted for good part of recent sales growth. Increasing research efforts. **A2**

Sterling Drug: Largest domestic manufacturer of proprietary drugs. Ethical drug business growing. Royalties from Zimmerman waste disposal system may contribute importantly to future earnings. **B2**

Upjohn Co.: Product line includes steroid hormones, nutritional items, antibiotics and other ethicals. 58% of last year's sales from products less than five years old. Long-term growth potentials. **B1**

Vick Chemical: Dependent on well-known cold remedies for major share of earnings. Broadening position in ethical drugs through acquisitions and research. Recent growth record good. **B1**

Warner-Lambert Pharmacal: Important producer of proprietary drugs, toiletries and cosmetics. Also, ethical drug line. Aggressive acquisition program in recent years. Further growth indicated. **B1**

Ratings: A—Best grade.
B—Good grade.
C—Speculative
D—Unattractive.

1—Improved earnings record.
2—Sustained earnings record.
3—Lower earnings record.

ethical group in 1958 reached an all-time high of $120 million and since 1951 have increased at an average annual rate of 26%. One of the biggest potential markets for this group is in the area of cardiovascular treatments, with steroid drugs to regulate blood pressure and heart rhythm having been synthesized.

Vitamins are the second largest ethical product group, with nutritional products of this kind accounting for 15% of all ethical drug sales in 1958. These products have continued to show a steady expansion based on an increasing demand in the pediatrics, gynecology and geriatrics markets. Growing foreign competition and a weakening of bulk vitamin prices may moderate 1959 sales gains.

Proprietary Drugs

Proprietary products are those advertised directly to the general public in contrast to ethical drugs, which are promoted to the medical profession. The proprietary drug line includes vitamins, cough and cold remedies, laxatives, cathartics, and aspirin. Retail sales of this group tend to resist the pressures of recession, as was borne out in last year's period of reduced economic activity. Proprietary drug manufacturer have tended to add ethical product lines in view of the wider profit margins and more pronounced growth prospects of the latter. Johnson and Johnson recently entered the ethical drug field in a substantial way with the acquisition of McNeil

Laboratories, a prominent factor in the fields of antihistamines, muscle relaxants, and sedation.

New Products

The past year witnessed the introduction of such new products as a non-mercurial diuretic for the treatment of high blood pressure, a new type of combination approach to broad-spectrum antibiotics, new orally administered substitutes for insulin, and a more effective steroid. Currently, field tests are being conducted on an orally administered substitute for Salk polio vaccine. Important fields remaining to be conquered by research include cancer, degenerative diseases, measles, viruses, and the ordinary cold.

Foreign Business

Foreign sales of major pharmaceutical companies have enjoyed a good rise in recent years, despite the regaining of pre-war markets by European manufacturers. For the seven U. S. companies that report foreign sales, total foreign business increased from $151.1 million in 1953 to $233.5 million in 1957—a gain of 55% in but four years. The trend toward the establishment of foreign manufacturing facilities by American drug producers has tended to offset reduced export demand. Despite intensified competition and foreign currency risks, prospects are for a further expansion of foreign markets.

Government Role

Last year the Federal Trade Commission released its report regarding price collusion in the field of broad-spectrum antibiotics, which, to date, has not had a particularly adverse effect on the industry. Producers of Salk Vaccine also came under F. T. C. investigation last year and Senator Kefauver has indicated that his subcommittee will investigate drug prices in general. Congress is aware of the public hopes to conquer disease through research as witnessed by the increase in medical research appropriations from $28 million in 1947 to an estimated $295 million this year—a ten-fold increase—and the establishment of the largest medical research organization in the world, the National Institutes of Health in Bethesda, Maryland.

The industry outlook is for further long term growth based on vast expenditures for research and new product developments, several of which should appear on the market this year. However, investors should be aware of the highly competitive nature of the industry, with rapid technological breakthroughs providing the threat of product obsolescence, and the resultant adverse effect on individual company's earnings.

Merck and Co. is a well-known producer of fine chemicals and bulk medicinals. The merger with Sharpe and Dohme in early 1953 provided an established distribution system for high-margin specialties. Last year, vitamins, diuretics and steroid hormones accounted for 54% of total sales. International operations, including direct exports from this country, amounted to $56 million or 27% of total sales. In 1958, Merck spent $17 million on research, or about 8% of total sales. Earlier in the year, the company introduced Diuril, a new product that has important application in treating high blood pressure, heart disease and other conditions. In its 1958 annual report, the company stated that Diuril has been widely accepted by the medical profession and its contribution to company sales last year was noteworthy. Decadron, a new steroid hormone, was released in late 1958 and is expected to make an important contribution to overall volume. For the year 1958, total sales amounted to $206.6 million, an increase of 11% over 1957. Earnings last year increased to $2.64 a share from $2.20 in 1957. The indicated annual dividend rate is $1.60 per share, including a 20 cent extra paid last December. This provides a yield of only 2.0% at the current price of about 80. At current levels, the stock sells at one of the highest multiples of 1958 earnings among the leading drug issues.

Chas. Pfizer & Co. is one of the fastest growing of the larger drug companies. Previously a manufacturer of bulk pharmaceuticals and fine chemicals, the company in 1950 entered the packaged drug field with the introduction of its new antibiotic, Terramycin. Since then, the company has lessened its dependence upon antibiotics and has broadened its product line. Currently, this includes vitamins, tranquilizers, agricultural and veterinary products, hormones and antihistamines. Last year, Pfizer spent $12 million on research, equivalent to about 5% of total sales. A government grant of $1.2 million supplemented about $400,000 in Pfizer's funds for cancer research in 1958. One of the most significant new products that emerged from this research pro-

Comprehensive Statisti

Figures are in million dollars except where otherwise stated.	Abbott Laboratories	American Home Products
CAPITALIZATION:		
Long Term Debt (Stated Value)	—	$ 9.0
Preferred Stocks (Stated Value)	$ 8.5	—
No. of Common Shares Outstanding (000)	3,772	7,673
Capitalization	$ 35.3	$ 16.7
Total Surplus	$ 52.7	$119.2
INCOME ACCOUNT: Fiscal Year Ended	12/31/58	12/31/58
Net Sales	$116.6	$374.9
Deprec., Depletion, Amort., etc.	$ 2.5	$ 3.4
Income Taxes	$ 11.7	$ 44.3
Interest Charges, etc.	—	$ .4
Balance for Common	$ 12.5	$ 42.4
Operating Margin	21.2%	22.3%
Net Profit Margin	11.0%	11.4%
Percent Earned on Invested Capital	14.6%	33.4%
Earned Per Common Share	$ 3.32	$ 5.53
BALANCE SHEET: Year Ended	12/31/58	12/31/58
Cash and Marketable Securities	$ 19.8	$ 42.2
Inventories, Net	$ 26.6	$ 54.6
Receivables, Net	$ 22.8	$ 40.2
Current Assets	$ 69.4	$138.9
Current Liabilities	$ 31.4	$ 59.5
Working Capital	$ 38.0	$ 79.4
Current Ratio (C. A. to C. L.)	2.2	2.3
Fixed Assets, Net	$ 42.2	$ 50.6
Total Assets	$119.4	$205.3
Cash Assets Per Share	$ 5.25	$ 5.50
Inventories as Percent of Sales	22.0%	14.5%
Inventories as % of Current Assets	38.4%	39.1%

Comparing Position of Leading Drug Companies

Merck & Co.	Norwich Pharmacal	Parke, Davis & Co.	Pfizer (Chas.) & Co.	Rexall Drug	Shering Corp.	Smith Kline & French Lab.	Sterling Drug	Upjohn Co.	Warner Lambert Pharm.
$ .6	$ .8	—	$ 11.9	$ 31.1	$ .1	—	$ 23.9	—	$ 5.9
$ 12.0	—	—	$ 7.6	—	$ 8.3	—	—	—	$ 7.0
10,578	1,900	14,800	5,046	3,454	3,938	4,843	7,913	14,056	2,611
$ 14.3	$ 3.1	$ 14.6	$ 24.5	$ 39.9	$ 12.4	$ 1.6	$ 63.5	$ 14.0	$ 15.6
$147.6	$ 15.9	$115.1	$129.2	$ 51.0	$ 44.7	$ 61.2	$ 44.6	$ 97.2	$ 65.0
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$206.6	$ 37.1	$172.5	$222.7	$182.3	$ 75.1	$124.0	$197.7	$146.1	$169.2
$ 8.1	$ .6	$ 3.3	$ 6.0	$ 2.4	$ 1.8	$ 2.3		$ 4.3	$ 2.7
$ 27.5	$ 4.5	$ 26.8	$ 12.9	$ 5.3	$ 10.5	$ 24.2	$ 18.2	$ 19.7	$ 16.3
—	$ .1	$ .1	—	$ 1.3	—	—	$ 1.2	—	$ .4
$ 26.7	$ 4.3	$ 28.0	$ 23.8	$ 6.3	$ 12.0	$ 20.8	$ 19.1	$ 20.0	$ 15.0
23.4%	24.3%	30.2%	15.4%	7.1%	26.5%	35.8%	18.9%	29.0%	17.7%
13.4%	11.6%	16.2%	10.7%	3.4%	16.5%	16.7%	9.6%	13.7%	8.8%
17.1%	23.7%	21.6%	16.9%	10.6%	21.9%	33.0%	22.7%	18.0%	20.1%
$ 2.53	$ 2.29	$ 1.89	$ 4.43	$ 1.83	$ 3.06	$ 4.30	$ 2.42	$ 1.43	$ 5.64
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
$ 27.7	$ 6.0	$ 59.0	$ 17.3	$ 20.0	$ 33.5	$ 28.0	$ 14.2	$ 13.0	$ 25.0
$ 40.7	$ 3.7	$ 33.9	$ 66.8	$ 43.8	$ 12.3	$ 12.5	$ 38.9	$ 27.1	$ 24.6
$ 19.9	$ 7.3	$ 27.7	$ 43.6	$ 20.0	$ 8.5	$ 8.5	$ 24.4	$ 26.4	$ 20.8
$121.0	$ 17.7	$124.5	$127.7	$ 83.9	$ 55.2	$ 50.5	$ 85.1	$ 66.6	$ 73.5
$ 36.8	$ 5.4	$ 51.1	$ 58.4	$ 29.1	$ 16.1	$ 24.5	$ 31.0	$ 13.9	$ 29.8
$ 34.2	$ 12.3	$ 73.4	$ 69.3	$ 54.8	$ 39.1	$ 26.0	$ 54.1	$ 52.7	$ 43.7
3.2	3.2	2.4	2.2	2.8	3.4	2.0	2.7	4.8	2.4
$ 77.3	$ 6.6	$ 41.2	$ 75.0	$ 26.0	$ 17.9	$ 28.2	$ 39.6	$ 58.0	$ 36.3
$200.9	$ 24.5	$187.6	$213.7	$119.7	$ 73.6	$ 88.3	$145.2	$125.5	$110.5
$ 2.62	$ 3.20	$ 4.00	$ 3.43	$ 5.79	$ 8.50	$ 5.79	$ 1.80	$ 0.92	$ 9.57
19.7%	10.1%	19.6%	30.0%	24.0%	16.4%	10.1%	21.6%	18.5%	13.9%
33.6%	21.2%	27.2%	52.3%	52.2%	22.2%	24.9%	45.7%	40.8%	33.5%

gram last year was Diabinese, an oral diabetic drug, and Niamid, for the treatment of depressed mental patients, may be released later this year. Last year, the company enjoyed record sales for the ninth consecutive year—a further step toward management's sales goal of $260 million in 1960. Spending for new plants reached $28 million as part of a three-year, $60 million program launched in 1957. International operations accounted for 39% of 1958 sales. Total sales of $222.7 million last year were 7% above those of 1957 and represented a fourfold increase from 1950. Earnings last year increased to $4.43 per share from $4.23 in 1957. A proposed three-for-one stock split will be voted on later this month. The indicated annual dividend rate of $2.40 a share provides a yield of 2.1% at the current price of around 114. In view of Pfizer's successful past record, a large research program and resourceful management, holdings for longer term capital appreciation prospects may be maintained. Shorter term investors, however, might consider the taking of partial profits following the sharp upward price movement of the stock in recent months.

Schering Corporation was a relatively small drug company in 1954, with sales of $19.4 million and earnings of $0.45 a share. The following year, the company introduced its "Meti" drugs, two important steroid hormones, that became the drugs of choice for the treatment of arthritis. Sales increased fourfold to the record level of $80.7 million in 1957 and earnings were at the all-time high of $3.80 per share. Last year, however, Schering was one of the few members of the drug industry to show lower earnings in 1958 than in 1957. The decline in earnings reflected the competition from three new steroids that were introduced early in the year and the need for heavy promotional expenses to protect Schering's market position. None the less, research expenditures increased last year by 22% over 1957. Some $6.4 million was spent on research in 1958, about 8.5% of sales, and emphasized studies of the newer steroids. These efforts resulted in the development of a new corticosteroid, Deronil, the company's trade name for dexamethasone (Merck used the trade name Decadron for its similar product), which should enable Schering to recapture a good part of the market lost last year. An oral fungoid, effective in treating fungus conditions throughout the body, has been obtained under license from Glaxo Laboratories, a British concern, and may be marketed this year. Other products that may be expected to contribute to sales and earnings in the years ahead include Polaramine, a new ethical antihistamine more potent than older antihistamines; an aerosol "Meti" drug for topical application; and Trilafon, a full range tranquilizer. The company's pharmaceutical operations have been broadened as a result of the merger with White Laboratories, an ethical and proprietary drug producer in 1957, and the acquisition of American Scientific Laboratories in 1959 strengthened the company's position in the veterinary pharmaceutical market. The annual dividend rate of $1.25 a share, including an extra of 5 cents in February, affords a yield of 2.1% at the current price of around 60. The stock may be held for longer range growth, where a certain degree of risk may be assumed. *(Please turn to page 118)*

Shall I Sell?
Shall I Hold?

EVALUATING RECENT RISE IN LONG-RETARDED STOCKS

► **Where better potentials are evident**

► **Where rise was stimulated by speculative market activity**

By John J. Oliver

IN RECENT months the advisory staff of The Magazine of Wall Street has received an enormous numbers of inquiries seeking information or advice on stocks that have begun to move upward in price after extended periods of dormancy.

In some instances the correspondents have owned these stocks for long periods of time—often at a loss—and now wonder if they should use the better prices available to switch into other securities. For others some of these issues may be regarded as "behind the market" and are viewed as potential new avenues of investment. Regardless of purpose, however, the problem outlined in these inquiries is essentially the same: Are these stocks merely part of the "cats and dogs" movement that characterizes the latter stages of all bull markets? Or, do some—or all—represent a real turn in fortunes for the companies that raises their investment worth?

Obviously, the answer is crucial. For if the first reason is the predominent one, most of these stocks should be sold and the funds reinvested in sound issues to suit the needs of the individual investor. If, however, the improved market prices represent a belated recognition that a new day has dawned for these companies, then holders should retain their commitments—and in some cases new purchases may be warranted.

Needless to say, no one answer can suffice for the dozens upon dozens of issues in this category. For this reason we will attempt, in this article, to point out the salient reasons for the recent moves in several stocks that have not already been reviewed in late issues of The Magazine of Wall Street. In addition, the ratings appended to the many stocks in the accompanying table will give the reader a handy guide to the quality, and probable earnings performance of each issue.

Basically Changed Positions

Among the important companies in the table, **Pet Milk** is an outstanding example of a sudden change in corporate fortunes. For a full decade, from 1947 through 1957 earnings showed no growth whatever, while sales grew far less than might be expected in a dynamic and expanding economy. It is significant

Statistical Data on Companies With Recent Price Upsurges

	1957				1958							
	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Div. Per Share	Net Sales —(Mil.)—	Net Profit Margin	Net Earnings Per Share	Div. Per Share *	Price Range 1958-1959	Price Oct. 1 1958	Recent Price	Div. Yield
American Viscose	$227.6	3.7%	$1.65	$2.00	$216.9	3.2%	$1.36	$1.00	45⅞-22½	35½	44	2.2%
Archer-Daniels-Midland Co.	113.3[2]	1.8	1.29[2]	2.00	116.7[2]	2.6	1.93[2]	2.00	49½-29	39	45	4.4
Cluett Peabody	104.2	4.2	4.17	2.50	97.2	2.8	2.59	2.25	63 -32	42¾	54	4.1
Consolidated Electronics Ind.	28.5[1]	6.8	2.50[1]	—	27.5[1]	5.2	1.84[1]	—	44¾-19½	22⅝	41	—
Crown Cork & Seal	115.9	.8	.18	—	116.3	1.6	1.41	—	38¾-12	24⅞	38	—
Evans Products	34.0[3]	3.3	1.04[3]	1.45	48.7[3]	1.7	.73[3]	.25[5]	30½-11	16¼	27	—
Fansteel Metallurgical	32.8	9.2	3.74	1.00[6]	25.9	5.2	1.62	1.00[6]	64¾-43	48⅛	60	1.6
Fruehauf Trailer	178.9[3]	1.5	.38[3]	.70[6]	153.6[3]	.1	.001[3]	—	25 - 9¼	16⅝	24	—
General Time Corp.	49.4	1.6	1.70	1.50	47.6	1.2	1.17	1.00	74½-22¼	24⅞	69	1.4
Grayson-Robinson Stores	22.8[4]	2.8	.93[4]	—	29.1[4]	2.9	1.25[4]	—	15⅜- 5⅞	8¾	14	—
King-Seeley Corp.	17.7[4]	2.3	.92[4]	2.50	19.9[4]	4.3	1.87[4]	1.00	35⅞-19½	24⅜	34	2.9
Magma Copper	47.0	d4.9	d1.94	—	54.5	1.2	.58	—	78 -31⅞	53¼	69	—
Martin Co.	423.9	2.3	3.38	1.60[6]	483.6	2.4	4.01	1.60	45⅜-30	30⅝	42	3.8
Maytag Co.	98.6	6.7	3.78	2.40	105.7	9.3	5.82	2.50	74½-23¼	40⅞	72	3.4
Miami Copper	22.3[3]	10.1	2.8 [3]	4.00	14.2[3]	2.8	.56[3]	1.25	50⅞-24⅛	35¾	44	2.8
Mohasco Industries	98.3	3.3	.96	—	89.7	6.8	1.90	.20	17⅞- 4⅝	10⅛	16	1.2
North American Aviation	1,243.7[1]	2.7	4.23	2.00	904.0	2.8	3.34	1.60	52⅝-25⅜	33⅝	48	3.3
Northwest Airlines	83.4	5.7	3.56	.80	101.9	5.5	4.06	.80	43⅞-10⅛	19⅛	40	2.0
Pet Milk	184.6	1.4	2.45	1.00[6]	181.8	1.8	3.34	1.00	44¾-25	31½	42	2.3
Philadelphia & Reading Corp.	80.4	8.2	5.71	—	76.2	9.5	6.19	1.60	131½-27⅛	53¼	118	1.2
Piper Aircraft	26.6	10.2	2.94	1.00[6]	27.1	8.0	2.36	1.00	33¾-14	20	32	3.1
Sundstrand Machine Tool	77.5	4.6	2.34	1.00[6]	80.0	4.0	2.10	1.00[6]	38¼-15⅞	23½	32	3.1
Underwood Corp.	67.5	d8.9	d .80	.40	57.0	d12.4	d9.35	—	30⅞-12⅞	18⅞	28	—

*—Based on latest Div. rate.
d—Deficit.
1—Year ended Sept. 30.
2—6 months ended Dec. 31.
3—9 months ended Sept. 30.
4—6 months ended Jan. 31, 1958 & 1959.
5—No div. action taken Apr. 30, 1958.
6—Plus stock.

American Viscose: Important textile, cellophane and synthetics producer. Upturn in textiles and Chemstrand subsidiary indicates higher earnings. **B1**

Archer-Daniels-Midland: A motor processor of vegetable oils, company appears headed for earnings recovery. Excellent financial position. **B1**

Cluett, Peabody: Fairly steady apparel business. Stock has advanced on new stretchable paper patent. **B1**

Consolidated Electronics Industries: Small but aggresive company. Strong competition indicates caution, however. **C2**

Crown Cork & Seal: Strong earnings recovery in 1958 should be followed by good results in 1959. Stock appears too high, however. **C2**

Evans Products: A special situation company, stock is subject to periodic speculative flings. Not for the average investor. **C2**

Fansteel Metallurgical: New growth in rare metals indicates good future. At current prices stock requires caution, however. **B1**

Fruehauf Trailer: With large contract for trailer-trains from General American Transportation, company seems headed for better days. Stock still highly speculative, however, in view of past record. **C1**

General Time: Small company, has recently made headlines with electronics developments. Too high too fast. **B1**

Grayson Robinson: Retailer with good earnings pickup last year. Better results expected. Lacks real attraction. **C1**

King-Seeley Corp: Auto parts producer with good prospects in hand power tools. Sears Roebuck outlet valuable. Hold, but too high for new commitments. **B1**

Magma Copper: High debt forbids dividends for many years. With better copper prices, however, earnings should expand. **C1**

Martin Co. Fair record as aircraft manufacturer has led to new emphasis on missiles and electronics. Good earnings and prospects. **B1**

Maytag Co.: Excellent record in appliance field, but recent speculative fling makes stock risky. Hold — don't buy. **B1**

Miami Copper: High cost producer is benefitting from resurgence in copper price. Too speculative for average investor. **C1**

Mohasco Industries: Sudden revival in carpet market indicates better earnings ahead. Past record is too spotty, however. **C1**

North American Aviation: High place in defense program makes stock attractive for long term risk accounts. **B1**

Northwest Airlines: Exceilent record in last few years speaks well for company. With new rate structure impending, performance should improve. **B1**

Pet Milk: Better earnings appear in the cards, but fast run up has discounted most of the immediate future. **B1**

Philadelphia & Reading Corp: Purely a special situation. Earnings operation is good, but real value probably lies in eventual partial liquidation or sell out. Speculative **C1**

Piper Aircraft: Private aircraft field has possibilities. Stock is speculative. **C1**

Sundstrand Machine Tool: Better than average earnings in 1958 speak well for company. Industry is too cyclical, however, to attract average investor. **B1**

Underwood: Eventual full scale entry into electronics business machine field is now being discounted despite losing operation. Suitable only for speculative accounts, or extremely patient investors. **B1**

Ratings: A—Best grade. B—Good grade. C—Speculative. D—Unattractive.
1—Improved earnings record. 2—Sustained earnings record. 3—Lower earnings record.

that earnings failed to match the $3.25 per share reported in 1947 in all but one year during the period. Dividend growth has also been modest, and remained unchanged through the years 1954, 1955, 1956 and 1957.

1958 witnessed a sudden breakout for the company, however. For the past two years Pet had been unobtrusively broadening its product lines with fresh dairy products through the acquisition of large dairies in important areas such as St. Louis, Mo. and Atlanta, Georgia. The expansion in volume was far from sensational, but the new product lines served to raise profit margins considerably and net earnings rose sharply. Per share results climbed to $3.34 adjusted to the recent stock split, the dividend was raised and the stock was split 2 for 1. The effect on the price of the stock was electric. In a brief period it ran from a 1958 low of 25 (adjusted for the stock split) to its current high of about 42.

Holders of Pet Milk can expect a better earnings and dividend record in the near future, but the stock already appears too high for new commitments. Working capital, after acquisitions, has been depleted, leading to the assumption that the company may use the improved position of the stock to do some convertible bond financing. Moreover, even if payments this year are moderately higher (compared with $1.00 in 1958), the yield would still be a below-average 3.5 per cent.

In effect, the good news is all out on Pet Milk. For **American Viscose,** however much of it still lies ahead. In recent months the stock has climbed from the mid-thirties to a high of about 45. In part this rise has reflected the generally *(Please turn to page 115)*

FOR PROFIT AND INCOME

Partial Recovery

Regardless of the news-making performance of the industrial average on its 1957-1959 rise to date, a good many stocks remain well under their historical highs. In the over-bulled electronics group, Radio Corp. recently rose to a new post-war peak and is now around 58, against 1957 low of 27. It is selling at over 20 times likely 1959 earnings and yields about 2.6% on a \$1.50 dividend. Back in 1929 it was manipulated to a high of 114¾. That was 67 times earnings. No dividends were being paid then. You probably will never see RCA back to 114¾. But you probably will see it well under the present level. There is no great amount of "space-age" stuff in this situation. Much of the company's non-glamorous business is manufacture of TV, radio and hi-fi sets, and broadcasting - telecasting activities. Best earnings were \$3.10 a share in 1950 and \$3.16 in 1955. That's growth?

Anaconda

Shares of Anaconda have yet to get above their 1956 high of 87¾—on that year's earnings of \$12.85 a share with copper then reaching a lucrative and excessive price of 46 cents a pound—much less within sight of their fantastic 1929 high of 174⅞ on earnings of \$8.29 a share. The stock is now around 72, and earnings in the vicinity of \$6.00-\$7.00 a share this year may be possible. It is not extreme, on the basis of today's market - valuation standards. But neither is it cheap. Hold it. Defer new buying.

Underwood Corp.

This maker of typewriters and other office machines managed to go down hill over a period in which total sales in its field rose to new peaks. Record profit was \$10.11 a share in 1929, when the stock reached a high of 181¾, with dividends at \$4.25. It was among the "best-name" stocks in the old days. The company lost money in 1956, 1957 and 1958. Following prior reductions, the dividend was omitted early in 1958. The stock recently reached a recovery high of 30⅞, up from 1957 low of 12⅛. Maybe moves made to improve the company's position will pay off to some ex-

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
Bell & Howell	Year Dec. 31	\$4.32	\$3.92
Holland Furnace Co.	Quar. Dec. 31	.76	.48
Minnesota Mining & Mfg.	Year Dec. 31	2.58	2.34
Northwest Airlines	Year Dec. 31	4.06	3.56
Pennsalt Chemicals Corp.	Year Dec. 31	2.86	2.40
Allis-Chalmers Mfg.	Quar. Dec. 31	.72	.35
General Cigar Co.	Year Dec. 31	6.34	5.62
Maytag Co.	Year Dec. 31	5.82	3.78
Southern California Edison	Year Dec. 31	3.74	3.08
Consolidated Cigar	Year Dec. 31	5.08	4.14

tent, although 1959 profit prospects are poor. Maybe it will figure in some merger, since it has sizable assets and a tax-loss credit. But as for speculation in the stock here—include yourself out.

Dead Duck

About New York Central you can say, how the once mighty have fallen! Believe it or not, the stock sold as high as 256½ in 1929, falling to a subsequent all-time low not in 1932 but in 1942 at 6⅝. The stock's best recent rally level was 30⅞. Of course, it has no more chance of approaching the 1929 high than a dead duck has of flying to the moon.

Industrial Rayon

Earnings reached a record $7.18 a share as far back as 1948, with the best subsequent showing $5.77 in 1955. The stock's all-time high was 68½ in 1951, its subsequent best price 58¾ in 1955. Profit had been cut to $0.65 a share by 1957, there was a loss in 1958, and this year's earnings, if any, will be small. Dividends were omitted early in 1958. The stock's recent best level was 25½. It is a good issue to pass up—or to get out of, if you own it.

United Fruit

This was once a popular stock, especially with New England investors. Peak earnings were $7.54 a share in 1950, the stock's top price 73⅝ in 1951, when dividends totalled $4.50. Net fell to $2.60 a share in 1958, lowest in many years. Following earlier cuts, the dividend was trimmed to $2.00 late last year. A good profit rebound is possible, if not probable, this year. However, the company's plantation operations in Central and South America are affected by storm damage from time to time; and political instability in those areas must be taken into the reckoning. In a sub-average performance, the stock is now around 42 in a 1957-1959 range of 33⅝-50⅞, the latter reached some months ago. In our view, the imponderables in the situation make it unsuitable for investment accounts, and it is too slow-moving for speculation.

General Railway Signal

This company serves a moribund industry, yet has substantial growth potentials. Reasons: the railroads must economize, wherever possible, to survive, and the company concentrates largely on making cost-cutting equipment. It includes automatic block signalling, switching systems, centralized traffic control systems, etc. Record profit, on record sales, was $3.13 a share in 1957. It fell to $1.60 last year, due to reduced orders and temporary deferment of some deliveries at request of railroad customers with recession-reduced cash holdings. Results figure to be much better this year, with a new peak in net possible. At 36 in a 1958-1959 range of 21⅛-39¼, the stock is reasonably priced on a basis of roughly 11 times expected earnings. Speculative purchases could work out well over a period of time.

Celotex

This company makes insulating board and accoustical products, also gypsum-based building materials, rockwool, etc., Under earlier recession influences, profit fel to $2.79 a share for the fiscal year ended last October 31, from the prior year's $3.53. The quarter ended January 31 brought a sharp gain. Current-year profit may well be $3.60 to $3.80 a share. Dividends are at $2.00, pared from $2.40 last summer. Some increase might be possible, since finances are comfortable. Around 44 in a 1956-1959 range of 47⅞-23¼, this speculative stock seems reasonably priced on a basis of roughly 11 to 12 times current-year earnings.

A Steel Speculation

Due to its large earlier rise and the uncertain impact of the expected mid-year strike, the steel group has not been too popular in 1959 to date. However, some steel stocks have attained new highs. Among them is Jones & Laughlin, fourth largest in the industry, whose stock was previously recommended here at lower levels. Heavy capital outlays in recent years have sharply improved the company's position and efficiency. Because of the strike threat, it is difficult to project earnings. They will be at an abnormally high rate in the first half, a lower rate at least during part of the second half. Under recovery conditions in business, it seems reasonable to figure normal earning power somewhere between $7.00 and $8.00 a share. Around 69, on $2.50 dividend, the stock is not highly priced on earnings. We again advise speculative purchases.

Tax-Free Income

If you have not already made out your Federal income tax form, you soon will—or invite a crackdown from Uncle Sam. You wish the liability was smaller, as we all do. Maybe you would like some tax-exempt income. If so, see a broker or dealer and ask about municipal bonds. They are fully free of the Federal levy on income; and net yields up to 4% or more are available. That yield equals 6.45% return on taxable income for a single person in the $10,000-$12,000 taxable-income bracket and 9.9% for a person with income between $20,000 and $22,000. For reasons having to do with treatment of depreciation, some utility dividends are partially tax-exempt. Since the exemption is neither complete nor permanent, the stocks sell about in line with other utilities whose dividends are fully taxable. Due to available capital losses on certain old and large security hold-

(Please turn to page 122)

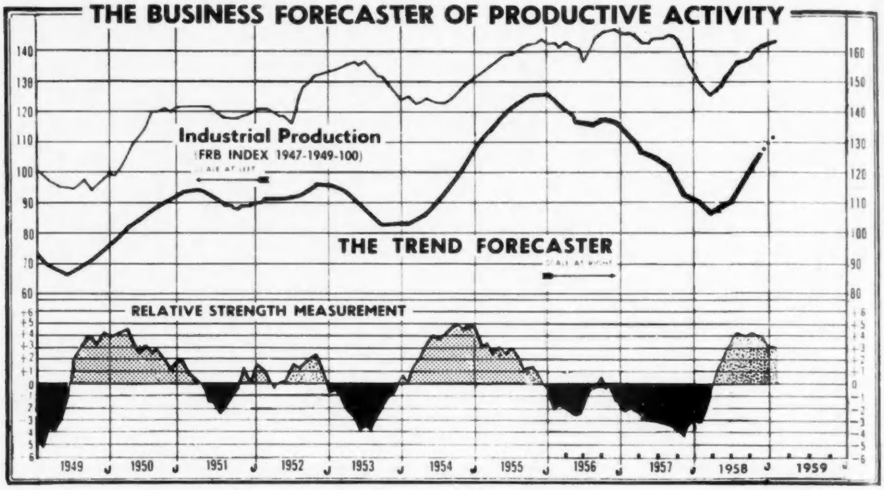
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1957
United Aircraft Corp.	Year Dec. 31	$6.40	$7.96
General Railway Signal	Year Dec. 31	1.60	3.13
Kennecott Copper Corp.	Year Dec. 31	5.44	7.32
Pittsburgh Plate Glass	Year Dec. 31	3.24	5.86
Yale & Towne Mfg. Co.	Year Dec. 31	1.63	2.12
Timken Roller Bearing	Year Dec. 31	2.10	3.89
Link Belt Co.	Year Dec. 31	3.52	5.41
Fansteel Metallurgical Corp.	Year Dec. 31	1.62	3.62
Great Northern Paper	Year Dec. 28	.29	2.42
Vanadium Corp. of America	Year Dec. 31	1.01	3.15

the Business

Business Trend Forecaster*

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.



***With the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.**

(†)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F.W. Dodge data. 2 month moving average. In constant dollars.

This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our Business Trend Forecaster of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

By late in the first quarter of 1959, trends in the component series entering into the Trend Forecaster were mixed, but the overall trend was still clearly upward.

New incorporations and stock prices continued to rise, as they had in several preceding quarters. Commodity prices, after behaving sluggishly in January and February, advanced strongly in March. Durable goods orders after having flattened out, advanced much more strikingly in February, the latest month for which figures are available at press time. Housing starts and factory hours of work dipped in the latest period while nonresidential construction contracts turned upward after a long period of decline and the rate of business failures (inverted) also improved.

The Relative Strength Measure, which summarizes the rate of change in these indicators, has evidently stabilized at about the +3 level. This is indicative of further expansion in the next several months, and perhaps into the Fall of 1959. At the same time, the decline of the Relative Strength Measure from its peak of the summer and fall of 1958 is pointing to a somewhat slower rate of business recovery in the months to come.

Analyst

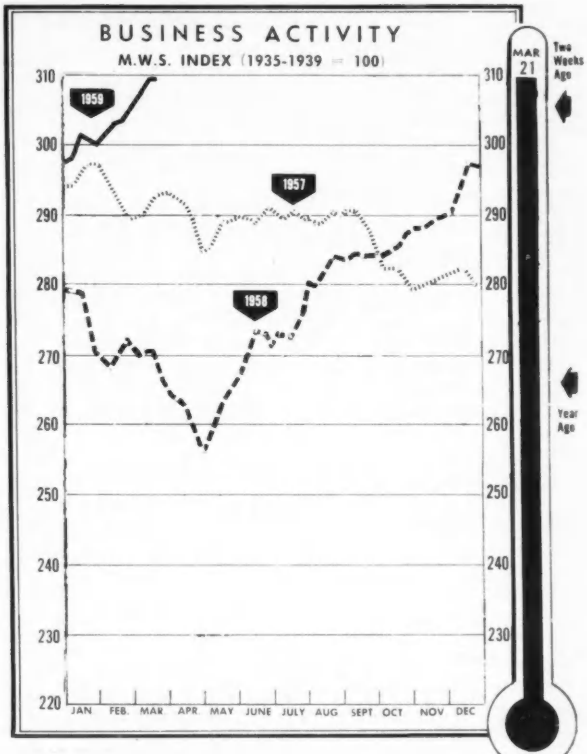
CONCLUSIONS IN BRIEF

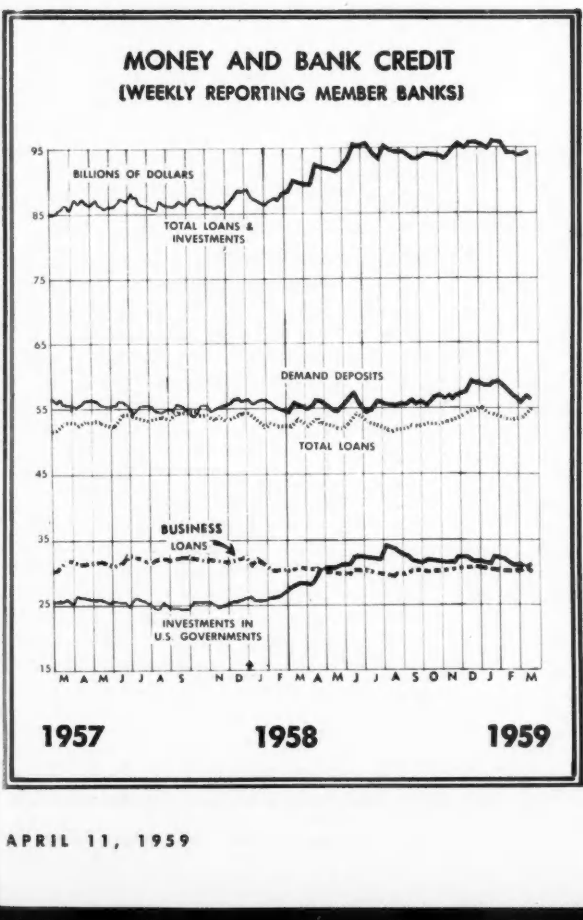
PRODUCTION — advancing slowly, as inventory demand hikes production rates in most durables industries. Soft goods output remaining stable. Machinery production rising. Outlook: up moderately in second quarter, then hit by steel strike, now almost assured.

TRADE — retail volume strong but not rising; soft goods and automobile sales now show clear effects of business recovery. Outlook: still for stability into the summer, at a satisfactory level.

MONEY & CREDIT — interest rates still moving sideways, and money supply adequate for virtually all purposes. Despite increased demand for funds owing to inventory accumulation, no tightness has developed. Still look for only slow strengthening in interest rates in 1959.

COMMODITIES — industrial commodities still gaining slowly, but not uniformly (steel scrap has recently weakened, nonferrous metals quotations are still erratic). Expect slow rise in industrial price level in next six months, slightly faster rise in late summer as almost certain steel price increase works its way into price level.





ANY economist or businessman who would be brave enough to argue that a recession will begin sometime in 1959 now very clearly carries the burden of proof. He may find a very sympathetic audience when he argues that the rise in activity in 1959 thus far has been extremely speculative, and that a day of retribution for these speculative excesses lies ahead; but few will agree that the day will come in 1959.

The reasons for the assurance about 1959 are not hard to find. As of March, the tide of activity is being carried firmly along by an extraordinarily firm level of retail sales, clinging well up in the $17-billion-per-month range. Surveys of consumers' opinions — of their financial position, of their financial outlook, of their expectations with regard to purchases in the future — all suggest that at the least, spending will stay where it is this spring, if not go higher. Similarly in the construction industry: while the rate of housing starts has evidently passed a peak and started down, the level of put-in-place activity is likely to stay at or near record levels for months. And the recent behavior of mortgage recordings and mortgage applications suggests that even housing starts themselves are not in a weak position.

With this strength in two major American markets, and with a steel strike almost certainly ahead to brake the pace of inventory accumulation, it is difficult to see how any substantial downturn can get underway before the end of 1959, although the last half may certainly see a flattening out of activity. The question to which forecasters are accordingly

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB)	1947-'9-100	Feb.	144	143	130
Durable Goods Mfr.	1947-'9-100	Feb.	155	153	137
Nondurable Goods Mfr.	1947-'9-100	Feb.	138	137	125
Mining	1947-'9-100	Feb.	124	123	118
RETAIL SALES*	$ Billions	Feb.	17.5	17.5	16.1
Durable Goods	$ Billions	Feb.	5.8	5.8	5.1
Nondurable Goods	$ Billions	Feb.	11.7	11.7	11.0
Dep't Store Sales	1947-'9-100	Feb.	138	138	124
MANUFACTURERS'					
New Orders—Total*	$ Billions	Jan.	28.4	28.4	24.4
Durable Goods	$ Billions	Jan.	13.8	13.7	10.7
Nondurable Goods	$ Billions	Jan.	14.6	14.7	13.7
Shipments*	$ Billions	Jan.	28.2	28.1	26.4
Durable Goods	$ Billions	Jan.	13.7	13.6	12.6
Nondurable Goods	$ Billions	Jan.	14.5	14.5	13.7
BUSINESS INVENTORIES, END MO.*	$ Billions	Jan.	85.5	85.2	90.0
Manufacturers'	$ Billions	Jan.	49.5	49.2	52.9
Wholesalers'	$ Billions	Jan.	11.9	12.0	12.6
Retailers'	$ Billions	Jan.	24.1	24.0	24.5
Dept. Store Stocks	1947-'9-100	Jan.	151	150	147
CONSTRUCTION TOTAL	$ Billions	Feb.	3.5	3.7	3.1
Private	$ Billions	Feb.	2.5	2.6	2.3
Residential	$ Billions	Feb.	1.4	1.5	1.1
All Other	$ Billions	Feb.	1.1	1.1	1.2
Housing Starts*—a	Thousands	Feb.	1320	1350	915
Contract Awards, Residential—b	$ Millions	Feb.	1073	1022	727
All Other—b	$ Millions	Feb.	1234	1298	1226
EMPLOYMENT					
Total Civilian	Millions	Feb.	62.7	62.7	62.0
Non-Farm	Millions	Feb.	50.2	50.3	49.8
Government	Millions	Feb.	8.1	8.1	7.8
Trade	Millions	Feb.	11.0	11.0	11.0
Factory	Millions	Feb.	11.9	11.8	11.8
Hours Worked	Hours	Feb.	39.8	39.9	38.4
Hourly Earnings	Dollars	Feb.	2.19	2.19	2.10
Weekly Earnings	Dollars	Feb.	87.16	87.38	80.64
PERSONAL INCOME*	$ Billions	Feb.	365	363	348
Wages & Salaries	$ Billions	Feb.	246	245	233
Proprietors' Incomes	$ Billions	Feb.	58	58	56
Interest & Dividends	$ Billions	Feb.	32	32	32
Transfer Payments	$ Billions	Feb.	26	26	24
Farm Income	$ Billions	Feb.	17	17	17
CONSUMER PRICES	1947-'9-100	Feb.	123.7	123.8	122.5
Food	1947-'9-100	Feb.	118.2	119.0	118.7
Clothing	1947-'9-100	Feb.	106.7	106.7	106.8
Housing	1947-'9-100	Feb.	128.5	128.2	127.3
MONEY & CREDIT					
All Demand Deposits*	$ Billions	Feb.	110.6	110.1	105.5
Bank Debits*—g	$ Billions	Feb.	89.4	87.8	79.5
Business Loans Outstanding—c	$ Billions	Feb.	30.3	30.3	30.4
Instalment Credit Extended*	$ Billions	Jan.	3.8	3.7	3.5
Instalment Credit Repaid*	$ Billions	Jan.	3.4	3.4	3.4
FEDERAL GOVERNMENT					
Budget Receipts	$ Billions	Feb.	6.6	4.5	6.3
Budget Expenditures	$ Billions	Feb.	6.3	6.8	5.5
Defense Expenditures	$ Billions	Feb.	3.6	3.7	3.5
Surplus (Def) cum from 7/1	$ Billions	Feb.	(13.0)	(13.3)	(7.2)

PRESENT POSITION AND OUTLOOK

turning their attention is prospects for 1960. Will that year see a full flowering of the recovery begun in 1959? Or will it see a dramatic downturn into the fourth postwar recession, as inventory demand, construction demand and retail sales falter after a year of boom?

These are open questions, but two present developments obviously bear on them. In the first place, a steel strike is very likely to distort trends so as to start 1960 at a relatively high level, but a level sensitive to emerging forces of recession. Secondly, the present modest rate of recovery in capital goods lines suggests that the basic industries involved in capital goods will continue to enjoy a gradual improvement through 1959, and perhaps throughout 1960. While a sudden burst of capital spending would help 1959 business along it might be encroaching on 1960 activity.

* * *

EASTER TRADE—by all indications, volume of Easter business at least equalled the expectations of retailers and perhaps surpassed them moderately. Easter was distinctly early this year compared with last year, which accounts for some of the sensational plusses that have shown up in percentage changes in retail statistics the past few weeks. But even allowing for the seasonal differences, between last year and this, weekly sales figures have been bright.

* * *

CONSUMER CREDIT — is it climbing again? A superficial answer is that in the first few months of 1959 the rate of credit extensions has turned notably upward. The increase in the rate of extensions is concentrated in automobile paper, and the so-called personal loans — instalment loans by banks and small loan companies, the purpose of which is not specified. However, part of the rise reflects purchases of automobiles delayed from late 1958, when strikes of one kind or another prevented normal stocking by dealers. There is still no good indication that the rate of credit sales of automobiles, appliances, and homefurnishings is reacting to the present business recovery the way it did in 1955.

* * *

CONSUMER PRICES — they have now

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1958 IV Quarter	1958 III Quarter	1958 II Quarter	1957 IV Quarter
GROSS NATIONAL PRODUCT	453.0	439.0	429.0	438.9
Personal Consumption	296.5	291.5	288.3	287.2
Private Domestic Invest.	61.5	53.7	49.2	61.5
Net Foreign Investment	0.2	1.7	1.7	3.3
Government Purchases	94.8	92.0	89.7	86.9
Federal	53.8	52.2	50.7	49.1
State & Local	41.0	39.8	39.0	37.8
PERSONAL INCOME	359.1	357.5	349.8	349.7
Tax & Nontax Payments	43.7	43.5	42.3	43.0
Disposable Income	315.4	314.0	307.5	306.8
Consumption Expenditures	296.5	291.5	288.3	287.2
Personal Saving—d	19.0	22.5	19.2	19.6
CORPORATE PRE-TAX PROFITS	44.0	37.9	32.0	39.9
Corporate Taxes	22.4	19.3	16.3	19.9
Corporate Net Profit	21.6	18.6	15.7	20.0
Dividend Payments	11.8	12.5	12.4	12.0
Retained Earnings	9.8	6.1	3.3	8.0
PLANT & EQUIPMENT OUTLAYS	29.9	29.6	32.4	37.8

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Mar. 21	309.4	309.8	270.4
MWS Index—per capita*	1935-'9-100	Mar. 21	230.2	230.4	203.3
Steel Production	% of Capacity	Mar. 28	92.8	92.9	50.6
Auto and Truck Production	Thousands	Mar. 28	157	171	121
Paperboard Production	Thousand Tons	Mar. 21	306	307	274
Paperboard New Orders	Thousand Tons	Mar. 21	280	306	240
Electric Power Output*	1947-'49-100	Mar. 21	250.2	251.6	227.6
Freight Carloadings	Thousand Cars	Mar. 21	603	595	533
Engineering Constr. Awards	$ Millions	Mar. 23	355	394	441
Department Store Sales	1947-'9-100	Mar. 21	137	124	117
Demand Deposits—c	$ Billions	Mar. 18	57.0	57.7	55.2
Business Failures	Number	Mar. 19	292	311	357

PRESENT POSITION AND OUTLOOK

maintained stability for almost a year. Food prices have lost all of their gain of early 1958, and are now moderately below their level of mid-1958. Apparel prices are little changed. Rent, services, and transportation are higher; these are the items that have been rising more or less steadily throughout the post war period.

With the total consumer price level now about stable, rising personal incomes are being translated directly into greater real purchasing power. This is doubtless one of the elements playing on the favorable level of retail sales, and may also account for the improvement in the attitudes of consumers toward their financial positions.

* * *

BUSINESS INVENTORIES — have now made a clear turnaround, and are in an uptrend. In the fourth quarter, total business stocks were about unchanged from the end of the third quarter, but in early 1959 they are rising at an annual rate of about $4 billion. There is no indication that this rate will slow at all in the first half of the year; it will slow in the third quarter, of course, if a steel strike interrupts the accumulation of steel inventories now in progress.

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958-'59 Range High	Low	1959 Mar. 20	Mar. 26
300 Combined Average	466.5	453.6	465.3	460.9
4 Agricultural Implements	426.0	196.5	426.0	419.0
3 Air Cond. ('53 Cl.—100)	131.1	87.8	131.1	128.7
10 Aircraft ('27 Cl.—100)	1313.7	982.2	1313.7	1301.5
7 Airlines ('27 Cl.—100)	1329.5	638.8	1329.5	1289.5
4 Aluminum ('53 Cl.—100)	443.7	253.4	413.6	417.9
5 Amusements	214.0	125.0	214.0	212.1
6 Automobile Accessories	457.6	298.9	457.6	449.6
6 Automobiles	100.4	40.8	99.4	99.4
4 Baking ('26 Cl.—100)	41.3	28.5	40.6	40.2
4 Business Machines	1317.2	898.2	1304.2	1278.1
6 Chemicals	760.8	509.5	754.0	754.0
4 Coal Mining	30.3	18.4	28.1	28.6
4 Communications	202.1	85.7	202.1	200.5
9 Construction	171.2	107.5	169.6	169.6
7 Containers	1142.6	707.3	1131.7	1109.7
6 Copper Mining	344.6	184.6	330.7	325.1
2 Dairy Products	150.3	115.6	146.0	147.4
6 Department Stores	132.0	78.9	129.7	128.5
5 Drugs-Eth. ('53 Cl.—100)	425.2	217.2	415.5	423.5
6 Elec. Eqp. ('53 Cl.—100)	287.4	195.8	287.4	284.7
3 Finance Companies	747.2	568.8	676.1	676.1
5 Food Brands	438.1	255.5	430.2	426.2
3 Food Stores	279.6	182.2	276.9	274.2

(Nov. 14, 1936 Cl.—100)	High	Low	Mar. 20	Mar. 26
100 High Priced Stocks	286.3	189.7	284.9	282.1
100 Low Priced Stocks	638.3	618.2	638.3	633.2
5 Gold Mining	962.8	530.5	903.7	869.9
4 Investment Trusts	190.6	144.4	186.9	183.3
3 Liquor ('27 Cl.—100)	1564.6	913.4	1519.4	1504.4
8 Machinery	501.2	343.8	496.7	492.3
3 Mail Order	321.3	143.3	306.7	321.3H
4 Meat Packing	249.6	123.6	237.8	235.8
5 Metal Fabr. ('53 Cl.—100)	207.7	138.1	202.4	199.0
9 Metals, Miscellaneous	409.6	278.3	402.3	391.3
4 Paper	1275.4	841.8	1240.3	1240.3
22 Petroleum	885.5	629.7	843.8	835.4
21 Public Utilities	362.0	258.9	362.0	358.6
6 Railroad Equipment	99.8	59.2	99.8	96.3
20 Railroads	76.7	43.0	73.1	71.7
3 Soft Drinks	640.1	445.6	634.4	628.6
12 Steel & Iron	419.2	249.3	411.6	400.2
4 Sugar	144.7	102.8	123.9	123.9
2 Sulphur	863.3	543.4	848.0	855.7
11 TV & Electron. ('27 Cl.—100)	84.3	28.8	84.3	82.2
5 Textiles	204.9	106.9	201.3	204.9H
3 Tires & Rubber	243.7	142.3	241.6	239.4
5 Tobacco	188.1	110.9	184.8	183.1
3 Variety Stores	350.9	239.3	344.4	344.4
20 Unclassif'd ('49 Cl.—100)	273.0	145.4	273.0	270.6

H—New High for 1958-1959. R—Revised.

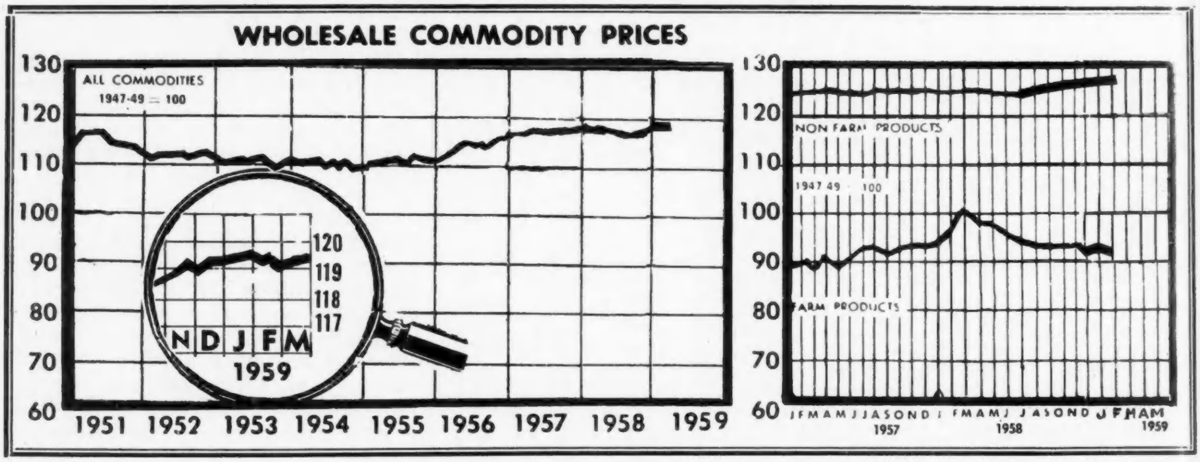
Trend of Commodities

SPOT MARKETS—Sensitive commodities continued to rally in the two weeks ending March 26, with foodstuffs in the lead. The BLS daily index of 22 commodities advanced 0.9%, with foods up 1.4% and raw industrial materials 0.7% higher. The advance in the latter component reflected higher prices for hides, rubber, cotton and wool tops while metal prices retreated, with lower quotations for copper scrap, lead scrap, steel scrap and tin.

Meanwhile, the broad range of commodities showed little change in the two weeks ending March 24. The BLS comprehensive weekly index moved sidewise, with farm products losing 0.2% and all commodities other than farm products and foods, adding 0.1%. The latter index closed at 127.8, an all-time high. The advance for this component has been slow, however, amounting to only 0.5% in the past three months.

FUTURES MARKETS—Commodity futures exhibited strength in the two weeks ending March 26, although there were a few exceptions to the uptrend. Gains were registered for oats, soybeans, lard, cotton, wool tops, coffee, cocoa, hides and rubber. Wheat and corn were mixed while declines were noted for world sugar, copper, zinc and lead.

Wheat futures followed divergent paths in the fortnight ending March 26. The old crop May option spurted ahead with a 6 cent advance while new crop options declined by 2 cents. Buyers of old crop futures professed to see indications that a tight situation in "free" supplies is developing. Redemptions of wheat from the 1958 loan were low and the large entries into the loan have effectively curtailed "free" supplies. On the other hand, new crop futures were depressed by currently favorable growing weather.



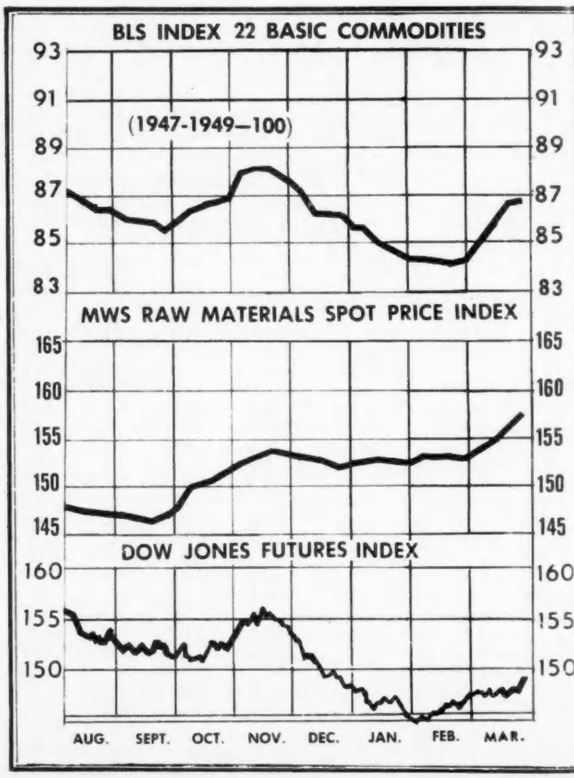
BLS PRICE INDEXES 1947-1949—100	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Mar. 24	119.3	119.3	119.7	60.2
Farm Products	Mar. 24	90.3	90.5	100.5	51.0
Non-Farm Products	Mar. 24	127.8	127.7	125.7	67.0
22 Sensitive Commodities	Mar. 26	86.8	86.0	85.3	53.0
9 Foods	Mar. 26	80.9	79.7	90.0	46.5
13 Raw Ind'l. Materials	Mar. 26	91.0	90.4	82.0	58.3
5 Metals	Mar. 26	95.8	98.5	83.6	54.6
4 Textiles	Mar. 26	76.8	76.3	76.3	56.3

MWS SPOT PRICE INDEX
14 RAW MATERIALS
1923-1925 AVERAGE—100
AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

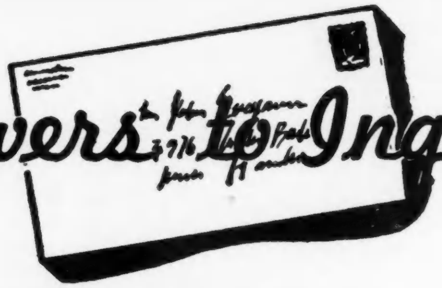
	1958	1957	1953	1951	1945	1941
High of Year	157.7	166.3	162.2	215.4	89.9	85.7
Low of Year	146.5	149.5	147.9	176.4	96.7	74.3
Close of Year		150.0	152.1	180.8	98.5	83.5

DOW-JONES FUTURES INDEX
12 COMMODITIES
AVERAGE 1924-1926—100

	1958	1957	1953	1951	1945	1941
High of Year	159.0	163.4	166.8	215.4	106.4	84.6
Low of Year	144.2	153.8	153.8	174.8	93.9	55.5
Close of Year		156.5	166.5	189.4	105.9	84.1



Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. The service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities at* reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

The Maytag Company

As a recent subscriber to your publication, I would appreciate receiving recent earning record of Maytag Co."

P. J., Nashville, Tenn.

Maytag Co. is an old established and leading manufacturer of washing machines and it also distributes other home appliances.

Maytag Co's 1958 sales and earnings result, second highest in its history, were accomplished without the benefit of a general price increase and in a year marked by a business recession. Maytag improved its market position last year despite the fact that home laundry sales as a whole declined approximately 2% from the preceding year.

Consolidated net sales including subsidiaries during 1958 were $105,763,763, an increase of 7.3% over 1957 sales of $98,613,291. The latest figure is second only to the record sales year of 1956.

Net income during 1958 totalled $9,895,202, a 49.2% increase over earnings of $6,633,292 the preceding year, and second only to the high year of 1950. Net income during 1958 equalled $5.82 a common share on 1,621,141 shares, after payment of preferred dividends, compared with $3.78 on 1,617,921 shares in 1957.

The company's financial condition continued to improve during 1958, with new highs established in working capital, total assets and share owners' equity as well as a postwar high in total dividends paid. Working capital increased $1.67 million during 1958, to $23,755,855 at yearend. Total assets rose nearly $4½ million to $59,282,906. Additions to property, plant and equipment totalled $2,178,500 for the year. Share owners' equity climbed to $44,613,563, equal to $24.44 a common share.

Common stock dividends during 1958 totalled $2.50 a share, compared with $2.40 the previous year. The regular quarterly dividend was increased from 50 cents to 60 cents a share, beginning with the fourth quarter, and again supplemented with a year-end extra of 40 cents a share.

On November 1, 1958, the company retired 85,000 shares of $3.00 cumulative preference stock, reducing the issue to 90,000 shares. In the past 9 years, Maytag has retired more than $13 million of its senior securities and thereby reduced annual dividend requirements on such securities by an amount equivalent to approximately 44 cents a common share.

The company anticipates another good year in 1959 in view of growing consumer demand for home laundry equipment, supported by general high purchasing power.

Wm. Wrigley Jr. Co.

"I am elderly and retired and am only interested in stable income stocks. Do you have recent operating records of Wm. Wrigley Jr. Co.?"

W. E., Trenton, N. J.

Wm. Wrigley Jr. is the largest chewing gum producer, with its domestic sales equal to about half of the U. S. market. Earnings over the years have been stable with a slight declining trend. Financial position is good and dividend policy has been liberal and the stock is regarded as a suitable investment for those primarily seeking a stable and good yield.

The consolidated result for Wm. Wrigley Jr. Company for 1958 was a net profit of $10,208,143 against $10,902,327 a year before. All of the reduction was in the domestic business, as profits on foreign business increased slightly. Unit costs were slightly higher, due mainly to increased advertising and promotional activities. Production costs, including cost of raw materials, stayed fairly stable.

Earnings per common share for 1958 were $5.19, compared with $5.54 in 1957 and $5.67 in 1956.

Dividends have been paid consecutively since 1913.

The 25 cent monthly dividends have been supplemented by extras and total payments for 1958 were $4.50 per share, the same as in 1957.

Last year the company acquired Amurol Products Co. and this company became a wholly owned associated company. Amurol started out in 1948 in the dentifrice business but in more recent years, it has expanded into the field of dietetic products, including sugarless chewing gum, mints, candies and other dietetic specialties.

The company is seeking to expand its domestic and foreign markets. END

The Oils—Global and Domestic Outlook

(Continued from page 87)

crude oil. In order to achieve this end, the government has reduced total oil imports—both crude and finished oils—from a level of about 2 million barrels daily in late 1958 and early 1959 to a new level of 1.5 million. This assures domestic oil producers of an additional market of 500,000 barrels daily, quite aside from the general improvement in domestic oil demand which should be at least 4.5 to 5 percent above last year. Thus, all domestic crude oil producers should do better in 1959. Their improved earnings are likely to be somewhat dampened by the crude oil price reductions which have already taken place in the first quarter of this year. Although the import restrictions have in all probability ruled out any further reductions, the *per-barrel* earnings this year may actually be slightly lower than in 1958, according to a recent statement of the president of Humble Oil & Refining Co. However, the higher volume, without further price reductions, should more than offset this factor and bring about the above-mentioned improvement in net earnings for all companies producing crude oil.

Thus, a number of integrated companies which will be hurt on the refining end, will find their loss at least partially offset by higher sales in their crude oil sector. Of course, those integrated companies which have received new or increased import quotas are likely to gain in the refining sector as well as in the crude oil sector.

The Oil Imports Quotas

The new mandatory quotas for leading companies on crude and unfinished oils (in barrels per day) compared with the allocations under the voluntary program.

EAST OF THE ROCKIES

Established Importers	New Quotas	Old Quotas
Atlantic Refining	40,160	55,900
Cities Service	22,240	27,800
Continental Oil	12,610	5,000
Gulf Oil	76,080	111,400
Ohio Oil	4,330	3,500
Philips Petroleum	16,790	10,200
Pure Oil	13,540	5,000
Shell Oil	22,760	6,400
Sinclair	42,400	60,300
Socony Mobil	45,760	76,900
Standard Oil of Calif.	45,520	65,400
Standard Oil of Indiana	33,730	50,200
Standard Oil N. J.	49,120	61,400
Standard Oil of Ohio	11,130	8,700
Sun Oil	34,400	43,000
Sunray Mid-Continent	9,420	5,000
Texas Co.	37,120	60,200
Tidewater Oil	23,360	49,200
New Importers		
American Petrofina	4,050	
Anderson-Prichard	3,320	
Ashland Oil	11,300	
Cosden Petroleum	4,080	
Kerr-McGee	3,990	
Lion Oil	3,150	
Shamrock Oil	2,270	
Skelly Oil	5,010	
Union Oil of Calif.	400	

WEST COAST

Established Importers	New Quotas	Old Quotas
Douglas Oil	4,140	4,400
General Petroleum	19,120	24,000
Richfield Oil	14,630	8,500
Shell Oil	24,320	30,400
Standard Oil of Calif.	27,690	27,800
Texas Co.	15,440	19,300
Tidewater Oil	28,400	35,500
Union Oil of Calif.	17,380	16,300

Reduction in Finished Products Imports

A further factor mitigating the negative effect of the import restrictions is the cut-back in finished products imports which was much more severe than in the case of crude oil. This will, of course, help to strengthen domestic prices and sales of finished oil products. For instance, during the winter of 1958-59 the unusually cold weather caused a temporary shortage of light heating oil. This was met largely by imports from the Caribbean. If such a situation should recur next winter it would probably bring about a sharp increase in U. S. heating oil prices. The government order has also required the military to cut its oil product imports from 55,000 barrels daily to about 35,000 barrels. Most of the reduction will be made in jet fuel, which will have to be replaced from domestic sources. This will add further to the improvement in the domestic oil market.

The reduction in residual fuel oil imports, the only finished oil product which has been traditionally imported in large quantities, will also cause some price increase in the domestic product. However, this is likely to be quite modest (unless there is an unusual upsurge in demand), since residual fuel oil competes in the same market with coal and natural gas. The great bulk of all residual fuel oil imports are brought in by two companies: Jersey and Shell-Caribbean (the latter is part of the Royal-Dutch Shell Group but is not a subsidiary of Shell Oil). These two companies will therefor suffer most from the restrictions on residual fuel oil. Of course, both these companies have such wide markets throughout the world that the slight restriction of one product in one market will not have a significant effect on their overall position.

To sum up the domestic oil situation: oil demand this year will be about 5 percent higher than last year, products prices will rise somewhat and crude oil prices will show no further decline. The new import restrictions will give an additional boost to some companies, mainly those in the middle west. For a few major importers, such as Gulf, Tidewater, Socony Mobil, Texaco and Standard (Calif.) the reductions are large enough to have an appreciable impact, although all of these companies (except Tidewater) earn a major share of their income in foreign markets which are, of course, not affected by the U. S. import restrictions.

Benefit from Natural Gas

One final point about the domestic earnings expectations of U. S. oil companies. All domestic oil producers are also natural gas producers. Natural gas demand is growing at a much more rapid pace than oil demand. In fact, natural gas is displacing oil as a heating fuel in many areas, particularly the West Coast. Since the unit price of natural gas at the well-head is also steadily increasing, notwithstanding Federal Power Commission control, the natural gas sector of all oil producers will contribute a growing share to their total earnings.

Foreign Earnings of U.S. Oil Companies

What about the foreign earn-

ings of U. S. oil companies? For the half dozen major international companies these are, of course, extremely important, often more so than domestic earnings. On the whole, the outlook for this sector of the industry is moderately good, provided there is no major political eruption in the Middle East. Oil demand outside the United States, especially in the Eastern Hemisphere, is expected to increase at a rate of 9 percent this year, which is about twice the rate assumed for U. S. oil demand. The international companies with marketing organizations throughout Europe and the rest of the Eastern Hemisphere will certainly participate in supplying this increased demand.

However, crude oil prices in both Venezuela and the Middle East have declined by six to eight percent earlier this year. Since there is little likelihood of an increase in foreign oil prices in the near future, gross income from foreign production may well show a smaller gain this year than in 1958. In other words, while foreign earnings in 1959 will probably be higher than last year's, the rate of increase may be somewhat smaller.

Of course, foreign oil earnings have also been affected adversely in 1958 and 1957 by other factors. Last year, Venezuela slapped an additional tax on all oil profits which cost the oil industry over $200 million, and in 1957 foreign sales were curtailed, first by the Suez crisis and then by a temporary slackening in European oil demand. This year, no new foreign taxes or royalties have been enacted, at least to date, and foreign demand is again climbing at its accustomed rate. Thus, despite the above mentioned price cuts, foreign earnings should be somewhat better than last year, if taxes and royalties remain undisturbed.

The Situation in Iraq

Unfortunately, there is one very big *if* in this prediction, namely the political situation in the Middle East. That area is as much of a powder keg at this moment as at any time in the last five years. While it would be an exaggeration to say that Iraq has become a full-fledged Soviet satellite, there can be no doubt that Soviet influence in that oil-rich country is greater and more direct than it has ever been in any other Middle East country. Iraq's oil production of about 800,000 barrels daily is completely owned by the Iraq Petroleum Company, in which a combined 23.75 percent share is held by Jersey and Socony Mobil (other major share holders are British Petroleum, Royal Dutch-Shell and Compagnie Francaise).

For the time being no attempt seems to be underway to upset the normal operations and earnings of Iraq Petroleum. But, if the country should slide further into the Communist orbit, it seems unlikely that a British-American-French owned concern could continue to operate the state's largest industrial enterprise. While it is idle to speculate what the fate of Iraq Petroleum would be in such a situation, obviously it would not be a desirable one from the viewpoint of its present owners. Another definite possibility is an armed conflict in the Middle East between Gen. Kassim's Iraq and Col. Nasser's United Arab Republic. Since nearly all of Iraq's oil exports must cross United Arab Republic territory, either via the Suez Canal or via pipeline, any military conflict between these two countries would bring about a temporary stand-still in Iraq's oil production.

But the danger to the oil companies operating in the area must not be exaggerated. Iraq accounts for no more than 4 percent of the world wide crude oil output of Jersey and 12 percent of Socony Mobil. Furthermore both these companies are participants in Saudi Arabian and Iranian oil production and also have large oil fields in Venezuela and Indonesia. If Iraq's oil output should become temporarily immobilized, due to political or military circumstances, Jersey and Socony would have no difficulty in making up the loss by increasing production from their other foreign units.

In summary, oil demand is likely to grow year after year for the foreseeable future, both in the United States and abroad. Companies with well-established market outlets are bound to participate in this steady growth, with consequent benefit in earning power. END

Problems In the Money Market

(Continued from page 77)

period of accumulation of steel inventories is likely to be followed by either a strike or a month or two of slackened orders for steel. In either case, steel inventories will be used up and current rates of production will slacken in steel and, probably, in the economy at large. In such cases no one can be sure that the recovery will continue once the strike is over, or the digestion of excessive steel stocks has taken place. This provides an atmosphere in which the Treasury should be able to sell some bonds, particularly if the stock market reacts.

There are indications already that the rise of common stock prices to record high levels has developed support for bonds. *Stock yields have been driven far below prevailing bond yields to a point where they discount growth of dividends many years into the future.* Conservatively minded investors—and particularly pension fund trustees—are taking a new and more constructive look at bonds.

What is needed if full advantage is to be taken of these opportunities is the pursuance of fiscal policies that discourage fears of rampant inflation and a willingness of the Treasury and Congress to offer interest rates on U.S. bonds which are attractive and competitive with yields obtainable on other bonds.

What To Do?

The main responsibility for reaching a solution to the Treasury's debt problems lies with the Congress. It is the Congress which is threatening the President's balanced budget for fiscal 1960 to the point where Congressional staff experts now estimate a deficit of $2.8 to $4.2 billion. Indeed, the lack of regard for the importance of a balanced budget is already raising the possibility that the fiscal 1961 budget, not yet even presented, may be unbalanced. This is a ridiculous situation for the richest country in the world to be in.

Perhaps we need to see ourselves as others see us. Federal

Reserve Board Chairman William McChesney Martin reported in December, after a trip abroad, that:

►"It was amazing to me how closely our budgetary developments were being followed in such remote areas as Thailand and Hong Kong, and how many people there knew our precise budget figures better than most Americans. . . . The question that I ran into was . . . since Americans clearly can *afford* these expenditures, why don't they *pay* for them? That is, why don't they pay in taxes or reduce other programs instead of giving I.O.U.'s or simply printing more paper dollars? . . . We must face up to the reality of either raising taxes or revising our tax structure to produce more revenue or reducing the priorities of some other [expenditure] programs until we can get things in better balance."

Congress can help to restore confidence in bonds by cutting back on expenditures and the deficit. It can also help to broaden the market for bonds by permitting the Treasury to pay higher rates of interest. At present, interest rates on Treasury bonds cannot by law exceed 4¼%, a limitation imposed during the first World War. *This limitation is no longer realistic in view of the vast changes in the economy since 1918. The federal debt has risen from around $20 billion to $286 billion currently and is still on the way up.* Furthermore, when the interest rate limitation was established, interest on Treasury bonds was exempt from income tax. *With Treasury bonds all taxable now, a rate limitation equivalent to 4¼% tax free would have to be substantially higher.*

The *biggest argument for an increase in the rate limitation,* however, is that *it is needed to attract buying interest.* It is often denied that interest rates have much to do with the demand for Treasury bonds. Yet it is a fact that individual's holdings of marketable Treasury bonds have been raised when rates have improved and cut back when rates have declined. Institutional investors are also sensitive to rate considerations. A recent confirmation came from A. L. Lindley, Mutual Life Insurance Company vice president: "There are too many good investments that give you a better return than Government bonds."

Do It Now

The President has indicated that he will ask Congress to increase the 4¼% limit if it becomes necessary. There is little doubt that in crisis conditions the Congress would accede to his request. The question is whether we should wait for the crisis, at which time the very act of increasing the rate limit could set off a new panic in the markets, or whether *we should quietly raise the limit now when the markets are quiet and unconcerned.* This would free the hands of the dedicated men in the Treasury trying to manage the biggest debt in the world — bigger than the debts of all other nations combined — and permit effective action to forestall a debt crisis which no one but our enemies could benefit from. END

U. S. Trade Being Clobbered On Every Front

(Continued from page 83)

British and European labor leaders had restrained their wage demands, so that the British assembly line worker gets $1.05 an hour, the German worker .69 cents, compared to the Ford assembly liner getting $2.44 plus a 50-60 cent fringe benefit.

Roger Blough, chairman of the US Steel Company, noted the *wage rates of American steel workers as three times their counterparts in Dusseldorf, Germany. As a consequence, he argues, the German steel plant can market barbed wire in Cleveland at a price that is $40 a ton less* than what his plant can produce right on the spot.

Many American businessmen therefore have traced blame for their trade failure to the door of labor, saying that the unions' continual round of wage-rise demands have inflated export prices out of reach of foreign consumers. And certainly the disparity between US and overseas wage rates does give the foreign producer a basic advantage in the trade race.

But in the past this has nearly always been the case in any event, for US wages have long been far in advance of those of other countries. It was the American productive efficiency—especially from the time of the Model T—that overcame this wage-rate differential and kept the US in command of world markets.

Today, however, as the hearings before the Senate Anti-Trust and Monopoly subcommittee are suggesting, there may be managerial causes for these inflationary prices too. The proposals made before this committee by economist Gardner Means as to the influence of "administered prices" on the economy have not been accepted by many of the experts called, but men as far apart as Harvard economist, Kenneth Galbraith and Presidential Adviser, Raymond Saulnier, have argued forcefully that management in the basic industries like steel has increased prices unnecessarily in the recent period of recession. Recently Senator Kefauver, committee chairman, has warned both the steel industry and labor to consider the public interest in the coming wage talks or face Congressional regulation, and President Eisenhower has strongly urged both sides to exercise statemanship in these important negotiations, which are the bellwether for new inflationary movements in the US.

Labor leaders, like AFL-CIO Secretary James B. Carey, claim that US workers can still produce more than their European counterparts and that US industrial technology is well ahead of that abroad, but, he says, it is the effort of business to obtain excessive profits which has priced US goods out of foreign markets.

Realism on Tariff Protection

The answer which some sectors of American industry have for this trend is an old one—raise the tariff walls. The pressure upon the administration for new protectionist measures has grown steadily in the past year, and the success of those in the lead and zinc industries in obtaining quotas last fall, of those in the domestic oil industry in getting mandatory quotas established, and of those who got the English Electric Company generator contract reversed, will encourage

other groups to pressure the government for relief. And the US Tariff Commission is loaded with cases of industries calling for protection from foreign competition. Many of these cases have been brought about by the influx of low-priced Japanese goods, cotton textiles. hardwood plywood, tuna fish, stainless steel flatware, sewing machines, pottery and so on.

But although tariff protection is a good 75 per cent below what it was 25 years ago, as a result of actions under the Reciprocal Trade Agreement Act, administration officials and a majority of international trade experts realize that tariff boosts won't really solve the problem for United States industry as a whole. It will only raise prices for the consumer and protect some US firms at the expense of others, while barring the trade which is often the lifeblood for many of these competing nations, who are also America's allies in the struggle with Communism.

The Value of Those Trade Missions

What some trade experts do question is the validity of US trade missions sent to countries like Japan, West Germany and France to assist businessmen of these countries in locating potential US markets for their goods. The Department of Commerce's "Foreign Commerce Weekly" describes these activities for several trade missions, which are also sent abroad to get US businessmen to patronize foreign buyers and thus improve their own selling techniques. But, some trade sources say, it hardly seems necessary to teach the Japanese and Germans how to "outcompete us" more than they are already doing.

Even more serious in the long run is the fact that these trade missions will discuss American licensing and investment practices, two-way licensing, and other matters designed to facilitate the migration of American capital to lower wage countries, like those in the Common Market.

Outlook for Machinery and Machine Tools

See Our Issue of April 25

Here US-financed factories can escape the tariff and quota discrimination against US-made products but only by producing goods which will aggravate the situation these firms are attempting to escape from today.

Our Home Markets

But on one thing there seems to be general agreement among economists, supported by the restlessness of the American consumer himself. And this is that the American businessmen is going to have to alter his selling habits and some of his design standards. Having had little real competition for 15 years or more, the US industrialist has let the overseas customer come to him and let him take what is available. Now the US industry has a difficult selling job to do against aggressive competitors, who in addition often have products to market which are better suited to the demands of people of modest income, and which do not have built-in obsolescence and do not emphasize useless gadgetry.

Russia's Manipulated Trade System

Looming over all this is the new Russian trade threat. The Soviet Union can direct its trade wherever the political strategy of its administration requires. As a tactical weapon in foreign policy, it is immensely useful, and the United States, as Central Intelligence Agency director Allen Dulles has been warning for some time, can expect more of this trade warfare in the years to come.

Khrushchev and his colleagues have been dumping tin, and aluminum on the markets with depressing effect on world market prices and on US trade in these materials. Russia has been cutting in on other American, and western markets, in Latin America, Africa, and Asia with barter deals of every sort, which private industry cannot compete against at all. It has even concluded an agreement with the Dow Chemical Company to sell it $13,500,000 worth of benzene because the Russian price was six cents a gallon cheaper than US prices.

High State Department officials have been discussing for months the idea of establishing an overseas trade monopoly to compete with the Soviet trade outfit on equal terms. But they all know that such "state trading" is completely contrary to normal American thinking on trade, and this is only a measure of their desperation.

Even so, Senator John Stennis, Democrat of Mississippi, introduced on January 27 a resolution for a special committee on foreign trade development to study a new export subsidy program that would match the Russian system.

The senator seriously suggested that a wide range of federal export subsidies, that might cost as much as $5 billion a year, might be granted for certain products sold abroad. He stressed that this would not be a dumping program, but an effort to make US prices competitive and be a substitute for moneys now expended on foreign economic aid. Private enterprise should be encouraged to do as much of the job as it could do, he argued, but it could not do the whole job, and subsidy from government might be required to meet the prices created by the "manipulated" Russian trade system. His bill is still before the Interstate and Foreign Commerce committee.

The Eisenhower administration still looks to a balanced budget as the principal way out. Protectionism, it argues, is no answer, any more than the inflationary way proposed by many Democratic Congressmen of spending to prosperity. Yet, merely balancing the budget, say some economists, without any harness on labor and management may not be enough to halt either inflationary tendencies or the fall in exports. The result, in time, could be excessive protectionist demands at home to keep foreign goods out, and uneconomic demands, like Sen. Stennis', for subsidies abroad to help Yankee traders to compete. That is why this situation, which is still only in the embryo stage, is drawing such serious attention from the experts, for American leadership of the free world could be at stake if this problem gets out of hand. END

Evaluating Recent Rise In Long-Retarded Stocks

(Continued from page 97)

better outlook for the textile industry, and the better earnings picture for the company's 50 percent-owned Chemstrand subsidiary.

However, there are other factors that the rise has not yet anticipated: 1) Chemstrand's estimated earnings of $2.00 per share of Viscose stock is a conservative appraisal based on minimum expectation; 2) Chemstrand's debt structure is becoming more favorable so that regular dividend payments to Viscose may start in the very near future; 3) Viscose is benefiting not only from the pick up in textiles, but is also reaping excellent results from the strong market for tire yarns and the new surge in demand for cellophane; and 4) a continuation of the present good performance through the first half leading to an increase in the $1.00 annual dividend rate, is a good possibility.

In view of all these factors American Viscose appears more reasonably priced than many other stocks. The rise so far has been orderly with no signs of wild speculative interest. Holders would do well to retain their shares.

Latecomers

In some instances the companies have been doing well for several years, but for some reason have not come to the investing public's attention. An excellent example is **Northwest Airlines,** which has been showing steadily rising earnings for four years—a fact which has gone unobserved in an industry that has not distinguished itself in the profits column recently.

In 1958, most of the airlines reported better results for the first time in several years, but Northwest per share net of $4.06 topped a steady upward progression of $1.80 in 1955, $2.18 in 1956 and $3.56 in 1957.

Moreover, Northwest was among the first to complete its arrangements for financing the transition to jet aircraft. The $67 million program will require bank

and insurance company loans of $32 million, while the balance will come from trade-ins on piston aircraft, retained earnings, depreciation and the sale of additional conventional equipment if necessary.

Northwest's performance since 1955 is particularly interesting because it was accomplished within a rate structure which the industry unanimously considers highly inadequate. Aggressive promotional techniques and the growing importance of the Far East, which Northwest serves, have all stood the company in good stead, and further advantages should stem from the statehood boom now underway in Alaska.

Under the circumstances, Northwest should be one of the prime beneficiaries of increased rates and the complete overhaul of the carriers' rate structure that is now under study.

For risk accounts, Northwest should work out well. It has proved its earnings ability and is now in a new growth phase. Dividend increases will be slow in coming because of jet-financing problems, but earnings should rise as the jet program get into full swing.

Piper Aircraft provides another interesting picture. In the welter of publicity over missiles and military aircraft, many investors have remained unaware of the growing market for small private aircraft. The Magazine of Wall Street and its service have long recognized this important trend and has encouraged participation through its reccomendations of Beech Aircraft. Piper, however, is another company that is receiving belated recognition for its part in this fast growing field.

Since 1954, Piper's sales have climbed from $11.4 million to over $27 million in 1958. Earnings dipped to $2.36 in the recession of 1958 compared with $2.94 a year earlier, but these figures stand in sharp contrast to the 44¢ per share earned in 1954, and the $1.74 shown in 1955. Despite this performance, the stock lay dormant in the low twenties for a long time.

Now, however, its excellent outlook for 1959 and beyond has finally become recognized. Sales for the year ending September 30, 1959 should cross $35 million and moderately increased earnings are a reasonable expectation. Moreover, the success of its *Comanche* model, and the increased production runs projected for the *Aztec* and *Pawnee* models leads to the assumption that early 1960s profits should be even better. At 32, after its recent run up, the dividend yield is only 3 percent, but an increase in time is probable.

Holders of Piper should retain their commitments. New purchases on a reaction also appear in order for this small, but well managed company.

Special Developments

In some instances, recent interest in certain stocks has stemmed from something new and special in the company. Often, however, these developments are associated with small, or inadequately financed companies which makes commitments a highly risky proposition. **Cluett, Peabody,** therefore may offer interesting appeal. The company is a soundly managed and well financed manufacturer of men's shirts and other apparel, an industry which cannot be classified as exciting. Nevertheless, the company holds the basic patents for the "sanforizing" anti-shrinking process, from which it derives substantial royalty earnings. This element of stability has led to an excellent dividend record, and payments of $2.25 per share even in 1958 when earnings dropped sharply to $2.59 per share from $4.17 in 1957.

Growth of the shirt industry would lend little appeal, but Cluett has developed another process which promises to bring in even greater returns than "sanforizing", and may in fact start an entire new industry. This is its "Clupak" process for the manufacture of stretchable paper. The company has licensed **West Virginia Pulp & Paper** to produce Clupak, and has already received an enthusiastic response from multiwall bag manufacturers, and others who must have paper containers that will not break in transit.

For the future, a wide variety of new uses for the paper is envisaged. Clupak's soft texture may

make possible paper sheets and pillowcases for use in hotels, paper disposable underclothing and sportswear, and a host of other important products.

Since Cluett, Peabody has an excellent basic operation, this new development superimposed on its existing structure lends good appeal to the stock. The stock has begun to discount Clupak, but in the low fifties it should certainly be held—and may be purchased on weakness by investors seeking a fair income return in the bargain.

Maytag is another company that combines a good basic operation with new developments that have suddenly caught the public's eye. In general the company's record as an appliance manufacturer is superior to most in the industry. Earnings have generally been high (they soared to $5.82 in 1958 from $3.78 in 1957 and $4.90 in 1956) and dividend payments have been generous. Despite its record however, the stock has seldom appealed to investors, as is demonstrated by its average 5 times earnings price over the last 10 years.

A sharp tightening of costs in 1958, however led to a large pick-up in earnings, despite the fact that sales remained well below record levels. Moreover as investors became aware of the better earnings potential for 1959, the stock began to rise in price. However, rumors of new developments pushed the stock over 70, a point not too high on the company's earnings and dividend prospects, but too high for the issue to have much further growth appeal.

A few weeks ago, Maytag announced its entry in the missile field with the acquisition of American Missile Products Co. of Lawndale, California. The new subsidiary is primarily a producer of telemetering equipment used in the missile program.

Its new diversification, excellent earnings and good dividend payout should encourage holders to remain with the stock. New buyers, however should stick to the major defense contractors, such as R.C.A.

Emphasis On Defense

A few defense contractors that receded into the background for awhile, have begun to awake again. **North American Aviation,**

just a few years ago, was the nation's largest defense contractor. For two years now, however, the company has been dormant while bridging the gap between completion of old contracts and the start of deliveries on new ones.

Because of this volatility of earnings the stock is risky, but its worst days seem behind. North American in the prime contractor on the experimental chemical bomber, and is the leading producer of major rocket engines through the activities of its Rocketdyne Division. A modest earnings advance is expected in 1959, and a further gain in 1960. Should be held, and can be purchased for speculative accounts.

Another beneficiary of the defense program, though indirectly, is **Fansteel Metallurgical**, one of the country's oldest specialists in the processsing of rare metals. Prime defense contracts are few, but the company's know-how in dealing with molybdenum, tantalum and columbium has given it a valuable subcontracting role.

What is most significant for Fansteel is that many of these metals are just coming into large scale usage in the defense program. Their value was always known, but putting them to work was a difficult problem that has only recently been solved. Molybdenum, for example was successfully cast for the first time only a few months ago—and the unique properties of tantalum for electronic components only became truly economical with their inclusion in satellites.

Earnings slipped during the recession, but they should recover in 1959. After that, an increasing role in defense should stabilize earnings. The stock still has speculative appeal, but at 60 must be considered rather risky.

Others benefiting from the defense program include **General Tire** which is fast becoming a major rocket engine and fuel producer through its Aerojet subsidiary, and **Martin Co.** which is slowly swinging out of aircraft production and into electronics and missiles. Both appear to have better days ahead.

Summary

To the analyst it is interesting to dig out the reasons for the performance of companies. To the investor it is vital. In the foregoing pages we have demonstrated that there are reasons, some good and some fair, for most of the recent moves in these stocks. Others, such as **Magma Copper** and **Miami Copper** have responded to the recently better price of copper, and **Underwood**, despite its several years of troubles is beginning to perform better in anticipation of its eventual full-scale entry into the computer and electronic business machine field. But profitability has yet to be demonstrated.

Investors will treat all of these stocks with care, however. Most were behind the market because they failed to measure up during periods of high prosperity. Until they prove that they can improve on past performances, therefore, it is well to suspect their recent moves, unless truly good reasons can be found for their current improved standing. END

Drug Companies In 1959

(Continued from page 95)

Vick Chemical Company in the past thirty years has achieved a diversified position in all four major areas of the drug field: ethical drugs; proprietary drugs; veterinary drugs and medicinal chemicals. This diversification, primarily through acquisitions, has lessened dependence on the original Vick cold remedies to a point where they now account for about 40% of total sales. Ethical and veterinary drugs now provide a greater percentage of total sales than proprietaries, having enjoyed a phenomenal sales increase from the $3 million level in 1941 to $44.7 million in the fiscal year ended June 30, 1958. Total sales for that year passed the $100 million level for the first time, reaching $107 million, a 13 % increase over the $94.8 million of the previous fiscal year. Earnings increased more sharply from $3.90 per share to $5.01 a share, a 29% gain. A good part of this advance was due to the flu epidemic in late 1957, which created a boom for Vick's cold remedies and led to the successful introduction of a flu vaccine by the National Drug Company Division. For the first half of the current fiscal year, sales of $60.9 million were 1% above the peak level achieved during the colds and flu epidemics in the first six months of last year and net income of $7.3 million compared with $7.1 million. The company's active acquisition program in 1958 included Walker Laboratories, a producer of vitamins and nutritional specialties; the Lavoris Company and Milton Antiseptic Ltd. of England. Research expenditures for fiscal 1958 were $3.9 million, with an additional $1.1 million spent to provide new research facilities. Outlays for research in the ethical field have been sharply increased and a further decline in the importance of the company's proprietary business is indicated. Overseas operations, which account for about one-fifth of total sales, have more than tripled in the last ten years. The $1.60 dividend affords a yield of 1.4% at the current level of 112. The issue appears to offer growth prospects, based on an increasing emphasis on ethical drugs and a steadily expanding foreign business.

Mead Johnson produces more than 100 items in the drug and nutritional fields. An estimated three-fourths of total sales are provided by nutritional and pharmaceutical products, of which Dextri-Maltose (an infant feeding product) and Poly-Vi-Sol are among the better known items. The Pablum Division markets the well-known Pablum line of baby cereal products and last year acquired the Bib Corporation, maker of fruit juices for infants and children. Foreign operations account for about 15% of total gross sales. Mead Johnson has had an impressive growth in sales and earnings in recent years. This has reflected not only the institution of manufacturing economies that have improved profit margins, but the continued favorable acceptance of the company's products by the medical profession

and the increasing infant population as well. Sales last year increased 11% to $57.4 million, although per share earnings declined to $2.60 per share compared with $2.85 for the previous year, reflecting an increased sales force and expanded research activities. Outlays for research were $2.3 million in 1957 and increased to $2.7 million last year. Increased emphasis on research is likely to promote the introduction of several new ethical products in the next few years. A five-year expansion program currently underway has the objective of reaching a sales level of $100 million by 1962, which would be approximately double the $51.6 million sales of 1957. The current $1.20 dividend provides a yield of only 1.7% at the recent price of 69. This investment grade issue appear well situated within the drug group to offer capital appreciation prospects over the longer term.

The accompanying table lists the leading drug companies with data on earnings, dividends and prices. Brief comments on each company are also included.

Drug stocks, in general, have been market favorites during the past two years and are presently close to their all-time highs. This suggests selectivity in making new commitments within the group, as well as the careful timing of new purchases. Longer-term holdings are justified in view of the favorable growth prospects for the industry. END

Whats Ahead For The Chemicals

(Continued form page 91)

Dow in Transistion

Dow Chemical was caught in the middle of a major expansion program when the recession hit. Just as new facilities were about to come on stream and when starting-up expenses were highest, the full force of the business slowdown struck. This unfortunate coincidence caused a sharp drop in earnings the last half of the company's fiscal year which ended in May, 1958. In the last quarter, in fact, per share net fell to 35¢, almost half of the 60¢ earned in the final period of the previous year. The same pattern followed in the August quarter, but by November Dow's fortunes has taken a turn for the better.

As demand began its slow pick up, the company's new and efficient plants began to contribute to earnings, leading to the highest per share net for any quarter since 1956. Moreover, it is apparent from the nature of the demand for Dow's products — and from the success of its new Zefran textile lines — that earnings for the full year ending in May, 1959 should show a more substantial recovery.

A Good Year Ahead For Most Chemical Companies

Although not all chemical corporations can boast the strong finish for 1958 already described, most can nevertheless look forward to better records in 1959. **Allied Chemical**, for example, scored a recovery in the fourth quarter but per share earnings were still below the same period of the previous year. In part, Allied's troubles stem from an inability to develop new and imaginative product lines, but of equal significance is the simple fact that the market for basic chemicals can only reflect overall levels of industrial productions. Yet this minus factor for 1958 will redound to Allied's advantage in 1959. With industrial production on the upswing, sulphuric acid, the company's largest volume item, is in good demand, while chlorine and other basic chemicals are looking up in most parts of the country. The much publicized weakness in chlorine and ammonia prices on the west coast, moreover, has little effect on Allied since its major plants are all located east of the Mississippi.

With $700 million in sales, Allied Chemical ranks as one of our top producers. Its performance in 1959 should match its stature, as earnings recover from the low $3.41 of last year to a possible $5.00 per share this year.

American Cyanamid, another basic chemical producer is in a similar position is some aspects of its business, but greater diversification into plastics and pharmaceuticals, have given the stock more market appeal. On the other hand huge research expenditures exercise a drag on earnings that Allied doesn't have to contend with. As a result, several factors will combine to retard profits in the current year. First, the aforementioned pharmaceutical research is running at a fever pitch in cancer, respiratory and viral diseases and is absorbing a good deal of working capital.

Second, competition from other drug companies is reducing profit margins on existing lines at the same time that competition is cutting into the company's important formica plastic operation. Furthermore, production difficulties have appeared in several of the company's newer products.

Third, and equally important, is the fact that recent expansion plans have just been completed, bringing about huge depreciation charges against earnings. Of course, this last item contributes to the company's cash-flow, but the fact remains that reported earnings will suffer.

On the plus side for Cyanamid, however, is its excellent new product development record leading to the possibility that new and highly profitable drugs may be announced at any time. Moreover, within the next year or two, as current high costs diminish, the company should move into a new period of profitability. All in all, Cyanamid's excellent record speaks well for it — despite the clouded picture in the current year.

Mixed Picture for Specialty Companies

Among the specialty companies the outlook is almost as mixed as their products. **Interchemical**, one of the largest producers of inks used in the printing and textile trades, enjoyed a boom year in 1958 and appears headed for an even better one in 1959. Earnings last year soared to $5.38 per share from $4.43 the year before despite a modest drop in sales. The improvement in profit margins should make a tremendous difference in earnings as sales are expected to jump from $109 million to almost $120 million. Under the circumstances profits approaching $6.00 per share may be in the works.

Pennsalt Chemicals, which specializes in chemicals derived from salt, improved its showing in 1958, but it should be considered that operations in the previous year were far from satisfactory. During the year, however, Pennsalt disposed of an unprofitable fertilizer division and increased its

share of the aerosol propellant business. It enters 1959, therefore, in better shape than in many years. As a specialist in fluorine, Pennsalt is one of the principal experimenters in rocket fuel oxidizers, a factor which could, in time, play an important role in the company's fortunes.

Among the coal-tar chemical producers, **Pittsburgh Coke & Chemical** appears well on its way to a substantial recovery from the miserable first half of 1958. Full year earnings in 1958 dropped sharply to 75¢ per share from $1.98 the year before, but a good fourth quarter indicates that operations in the first half of 1959 should improve.

Koppers Co. also scored an excellent gain in the fourth quarter, but a slowdown in its construction and engineering divisions and a sharp drop in demand from the railway industry for wood preservatives (for ties) clouds the outlook for the year ahead. In addition, Koppers has been in the throes of internal reorganization that will still take a year or so to work out. Under the circumstances too much of a recovery cannot be expected.

In sharp contrast, **Air Reduction**, a major producer of industrial gases, appears headed for a record year in 1959. Demand for acetylene and other gases from the metal working industries is rising sharply, while the normal growth of medical gases continues unabated. In addition the requirements of the military for liquid oxygen as a component of rocket fuels appears boundless.

As an added kicker, Air Reduction has succeeded in developing a wide variety of commercial products from acetylene, including adhesives and paper coatings made from polyvinyl alcohol. The company also intends to begin manufacture of Vinylon, a synthetic fiber developed by the Japanese.

In the exotic field, Air Reduction has large but unmeasurable earnings potential from new techniques it has devised for the welding of such rare metals as beryllium, hafnium and tantalum. Each of these metals has already been assigned a vital role in the defense program once technological difficulties have been solved. Airco has solved its part of the problem.

CORRECTION: In our issue of February 14, 1959, the 1958 earnings of Ford Motor Co. were incorrectly given at $.75 per share, due to a typographical error. The actual earnings for last year amounted to $1.75 per share.

Summary

Rapid increases in capacity, and a lack of coordination among the major producers led to considerable grief in 1958. However, in part this is the inevitable result of competition in a free society. It should be pointed out, however, that even overcapacity is a relative concept. With a normal level of demand it is doubtful that the chemical industry would have been hurt in the first half of 1958. With a sharp drop in volume, however, profit margins were pinched by high start-up costs of new facilities and the financial burdens required to carry the newly invested capital. But, just as the steel industry proved that new plants and equipment can lower break even points, the chemical companies established that they can operate profitably even when industrial productivity falls precipitously.

On the other hand, as industrial production recovers so will chemical earnings. This was demonstrated in no uncertain terms in the last quarter of 1958. Barring a prolonged steel strike, it should continue throughout the current year. END

12 Early-Bird Companies Which Have Reported Sharp First Quarter Earnings Gains

(Continued from page 74)

Firestone is easily the best known company on this list of early-bird reporters, and as the stock is currently selling at its all-time high, it offers no attraction to the seeker for overlooked, undervalued situations. Nevertheless, the price/earnings ratio does not look excessive in view of this demonstrated growth record, and Firestone could well prove sounder value than some of the current glamour stocks selling at extremely high multiples of earnings. The company derives about 60% of its sales dollar from tires and tubes and the remainder from a rather wide range of rubber products, vehicle accessories and chemicals. Its extensive plantations in Liberia help to diversify its raw material sources, even though rubber is now primarily a chemical derivative. Although Firestone's sales and earnings both declined last year, replacement tire sales were at their highest level in the company's history, and they should hardly be lower this year, while original equipment sales should show at least partial recovery. While there is a strong seasonal factor in the tire business, 1959 first quarter earnings of $1.66 a share are already the highest for any corresponding period on record, and this suggests that full-year results, both in sales and earnings, will probably establish a new peak.

Glidden Company's earnings growth and market performance have been distinctly disappointing during the past five years. Sales have increased only modestly, and net income, apparently handicapped by unprofitable divisions, has shown no expansion at all. The company has four main divisions: foods (39% of sales), paints (36%), pigments and metals (6%), and chemicals (19%). This variety may have tempted it to overdiversify, and certainly the problem of control must have been difficult. Last year, however, the Chemurgy Division was sold to Central Soya, while the old titanium pigment plant was abandoned, with a write-off of $1,215,000 against net income.

The important food division does provide a backlog of steady earnings, and at least a modest resumption of growth is indicated by the first quarter earnings gain to 55¢ from 40¢ a year ago. President Joyce has, in fact, already estimated that sales volume for the current fiscal year, ending in August, will approximate $200 million, the highest on record, when the contribution of the former Chemurgy Division is deducted. The $2 dividend is possibly just a little shaky, but extension of the present trend should protect it. The stock certainly will not be a spectacular performer, but looks like a reasonably valued income producer.

With a better than four-fold increase in earnings, to $1.14 from 27¢ a share, **Kelsey-Hayes** showed the sharpest first quarter gain of all companies in the present group, aside only from the two companies which crossed the gap from deficits to the profit side of the ledger. A producer of wheels and other accessories for the automotive, aviation and agricultural equipment industries, Kelsey-Hayes has grown rapidly in the post-war era, largely by the absorption of other companies. It was hard hit last year, however, by the automobile recession.

The present recovery seems likely to lift current year sales close to their previous 1957 record high, and earnings should do almost as well. This suggests that the $2.40 dividend, although only very narrowly covered last year, is now more secure. This gives an unusually high yield in the current market, and the stock looks like a more attractive holding than average. Recent acquisitions have improved diversification, and the aviation industry now accounts for 40% of sales.

These dozen companies whose backgrounds have been briefly reviewed have little in common other than their favorable first quarter earnings reports, and otherwise vary widely in investment characteristics. Most of them — Firestone excepted — are certainly off the beaten track which trustees, widows and other conservative investors should follow. Nevertheless, these issues do possess attractive features, to which their first quarter earnings reports add strong plus values. A careful investor will not, of course, be influenced by the results of a single quarter alone, but these can be utilized to point out some profitable avenues of study.

These preliminary indications of first quarter results are merely the first outlines of a picture which will become increasingly sharp as the shortly-to-be-expected flood of earnings reports for the initial calendar quarter gives us the explicit details of how a host of major companies in leading industries have been faring. We shall devote special features in our coming issues to an appraisal and interpretation of these results. END

Common Sense Solutions For That Unemployment Headache

(Continued from page 70)

in arrears on its commitments to three state universities. The old age pension fund and the children's aid funds await receipt of an overdue $7 million, and no money is in sight.

Williams and Reuther have kept payrolls—public and private —zooming. The day of reckoning is in sight: money is running out in the payroll office and the high government salaries will exist on paper only as the fiscal year comes to a close. Industry is unwilling to expand and multiply its costs. So little or nothing new is coming into Michigan.

The trend toward decentralization in the automobile assembly and sales business is growing—and will be further aggravated by taxes now that states are authorized to levy on interstate transactions. It means more grief. Recently, Governor Williams had the stocks of liquor in state-owned dispensaries inventoried, and finding it to be worth $18 million—sold off the inventory to get working cash!

What To Do?

Aid to labor distressed areas has become a current topic of debate. The Administration favors it, and so does the democrat-controlled Congress. But their ideas are poles apart: Congress favors a New Deal type of troweling money around through city and village wherever there is an employment pinch, providing large loans, low interest rates, and "sometime maturities"; The White House wants a more selective program, costing about 25 per cent of the democratic goal of $200 millions, repayable at reasonable rates, covering only areas which already are industrial, rather than attempting to superimpose new ones, and limiting loans to building (not machinery) uses. If the political bill is enacted Ike will veto it. And he will be sustained. That was last year's experience when a similar contest raged.

Neither the Administration nor the democratic bill is free from criticism. Each has been attacked as a measure that would spend money without full assessment of the causes of unemployment. They vary in localities. The problems might solve themselves with enlightened collaboration of government with industry—plus local cooperation, including union understanding—for *the common sense answer calls for the stimulating of new industrial activity to create new jobs.*

How It Can Be Done

The outcome of the "Memphis decision" of the Supreme Court of the U. S. shows the way to progress. It permitted natural gas companies to adjust their rates with less bureaucratic delay, and with nonsensical barriers knocked down. The result was a set of rates which insured a reasonable return on investment, but kept well in line with those prevailing elsewhere for similar service. *Within a few weeks after this happened, according to a Federal report, the affected companies launched a program to spend $285 million for pipeline and compressor stations. Longer-range plans involving expenditure of more millions are developing on the drafting boards. Natural gas availability has spread into scores of communities and thousands of well-paid jobs were created.*

Automation Benefits

Common sense is needed on automation too, which has played its part in increasing the income of the worker in the past two decades. The unions, which frequently fight automation, are themselves responsible for driving companies to mechanization in order to increase productivity to a point where they can pay the wages demanded and remain competitive. If organized labor is speaking, one usually hears of the "problems" of automation, but seldom hears of the benefits that accrue to the working force either as producers or as consumers; the improvement in working conditions; the virtual elimination of "incentive" or piece-work systems that have produced labor-management tensions under older methods; the deevlopment of new and higher-paid skills and job classifications. Then, too, severance pay, unemployment benefits, and

on-the-job training have all brought end benefits to the worker, while labor-saving innovations have served us well by stimulating industry in a period of economic expansion, and as a cushion during the recession too — for automating means heavy expenditures of capital funds in new machinery, stimulating industrial activity and new jobs.

Employment Rises and Falls with Export Trade Too

For full employment we must stimulate world trade by increased productivity, through a better wage-price relationship, if we are to avoid further loss of jobs and shortened work-weeks in a broad category of industries. We just have to be able to compete in world markets to maintain our economy. This is clearly indicated in our feature, "U. S. Trade Being Clobbered on Every Front," appearing in this same issue.

The high protective tariff is a thing of the past; if it were to be restored and even enlarged it still would not be a barrier to the dumping of foreign goods on our shores. Indeed, some categories of imports could even pay a 90% tariff and still undersell us in our home markets, so great is the differential of cost-price in our country as compared to the outside world.

In a measure, our difficulty lies in our national policy, which has been to encourage the growth of industry abroad by financial assistance, machinery, know-how, and tariff concessions. That growth having been achieved, markets had to be found, — and, as it happens, the prize consumer market in the world continues to be in the United States! Under the current state of international relations, therefore, the recapture of our markets just cannot be accomplished without junking national policy on tariffs, quotas, and even embargoes. Hence it must be clear to any thinking individual that we can only solve our problems by producing better goods at lower costs in order to meet the competition. That is the most realistic approach to the slow-down in our economy — to unemployment. It calls for a sane wage-productivity relationship, which we must strive with all our might to bring about. There is no other road to full employment and renewed prosperity.

In The Meantime

. . . to set our financial house in order, there must be — by all means — a serious investigation of the administration of unemployment and welfare payments. The abuses are so terribly out of line, that we are presented with the paradox of millions of people apparently out of work on the one hand — and an unwillingness on the part of many, who prefer to do with their non-taxable unemployment check, rather than go to work. This has created a shortage of much needed help, except at extravagant salaries, which severely handicaps the very companies who are paying the great bulk of unemployment taxation that is encouraging this situation. Thus, between the shortages and the excessive wage demands, the functions of our economy have been slowed down to a point where the resiliency of our business recovery is now threatened.

Already, the heavy withdrawals for unemployment payments have reached such proportions that unemployment funds are being rapidly used up, and deficits in various states are mounting, as is clearly shown in the table accompanying this article. Unless a more realistic approach is initiated, this situation is bound to precipitate a financial crisis that will make it impossible to pay unemployment compensation even to deserving workers and hardship cases, — just as the failure to take constructive steps is certain to create new industrial activity is certain to slow up our economy.

EDITOR'S NOTE

►President Eisenhower, on March 31st, approved extension of temporary jobless pay for three months through June 30. This makes available $78 millions for loans so that states can increase the duration of jobless payments by as much as 50%. The adminstration considers this measure as an emergency stop-gap, but the unions are insisting that Federal financing must be used on a broader scale. It is important to consider that for the hundreds of millions being distributed weekly to unemployed, *there is no compensating production — so that this represents an inflationary force which may ultimately tend to reduce the real wages of all citizens.* END

For Profit and Income

(Continued from page 99)

ings, Electric Bond & Share and United Corp. are able to pay fully tax-free dividends for many years to come. The first, around 35, is selling on a net yield basis of about 4%, with dividends at $1.40. With 1958 dividends $0.85, United Corp., (investment trust) yields 3.9% net at 9. END

New Vulnerability Enters Market

(Continued from page 67)

There is a bearish connotation to the recent secondary offering by the Ford Foundation of 2,000,000 shares of Ford Motor stock, in the light of conditions in the automobile business, which is going to meet plenty of competition, to judge by the display of cars from all countries now being shown at the International Automobile Exhibit at the Coliseum in New York City. And the 1,800,000 shares of Great A. & P. Tea Company are being offered in a high market, undoubtedly for the purpose of distribution and diversification called for under today's conditions.

So far in 1959, new offerings of corporate bonds have been the smallest in several years, explaining the satisfactory performance of the bond market in the face of the Federal Reserve's tight money policy—while equity capital financing has been at the highest level since 1929. Unquestionably the right kind of common stocks will continue to hold their own and go even higher, while others not suited to the times and conditions will move lower. The market's action will depend to a large measure on the extent of deficit spending and the value of the dollar.

— Monday, April 6

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